

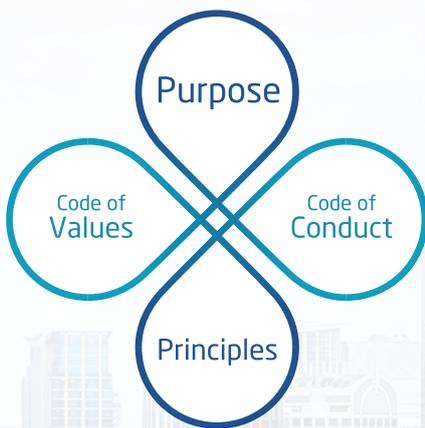


# Integrated Report 2021

# Orchestrating a

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 Way



The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself.

### Our Stance as a Company

#### 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, and Relentless Pursuit of Innovation

### Our Stance as Good Businesspeople

#### Code of Values

#### Code of Conduct

# brighter world

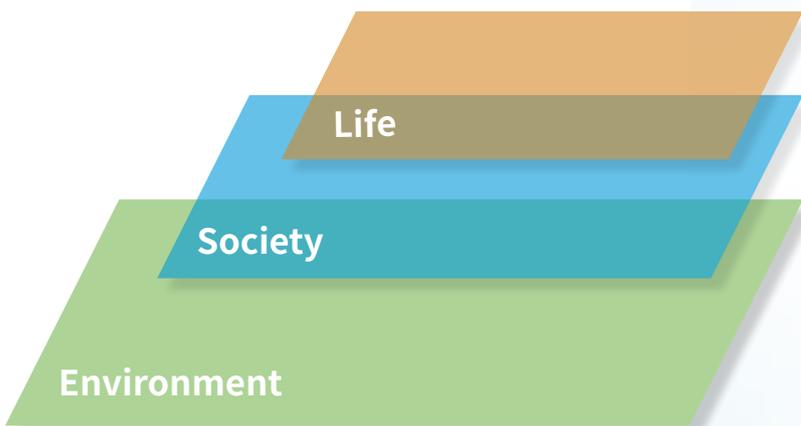
**By putting the NEC Way into practice,  
we will create social value.**

**Since its founding, NEC has worked to provide social value  
by putting forth its own unique approach to each era.**

**We will pursue innovation and work to realize NEC's Purpose,  
with the goal of living harmoniously with the earth and  
creating mutual understanding between people,  
no matter the era, no matter the conditions.**

# NEC 2030VISION

Global warming, the destruction of the environment, food and water shortages, energy issues, economic disparities—these are some of the many global issues that stand in the way of realizing our vision of society. To realize our Purpose in a time of rapid social change, we have put together NEC 2030VISION as a compass to indicate the business direction and path for NEC to follow.



## Changing Consumer Needs

Consumer needs can be categorized into three layers. At the base is the “Environment,” which forms the foundation of life for all people and organisms on earth. Above that is “Society,” the basis on which cities, work, and communication are supported. The highest layer is “Life,” which supports and improves the comfort and lifestyles of consumers in their daily lives. These three layers are our starting points for value creation.

Life

Society

Environ-  
ment

## Bringing people together and filling each day with inspiration

Fostering mental and physical well-being and long life

Improvement of lifestyle

Free and open learning opportunities

## Nurturing prosperous cities with inclusive and harmonious societies

Creating sustainable societies by shaping new industries and workstyles

Sharing hopes that transcend time, space, and generational boundaries

Democratization of data use

Social stability through data democratization

Free and equal communication services

Cities without traffic congestion and accidents

Government services from the consumer's perspective

Safe and secure cyberspace

Closing the gap in employment opportunities

## Living harmoniously with the earth to secure the future

Realization of a decarbonized society

Implementation of global warming countermeasures

Guaranteeing food and water security



**Editorial Policy**

NEC has published annual reports containing both financial and non-financial information since 2013. Starting in 2018, having defined its materiality, NEC has changed the name of its annual report to the “Integrated Report.”

*Integrated Report 2021* comprises initiatives for achieving the NEC 2030VISION and the Mid-term Management Plan 2025, which are based on NEC’s “Purpose.” NEC has also compiled a section on extremely high-profile human resources, focusing on the appeal of said human resources as well as NEC’s culture.

The Message from the President explains the philosophy behind the NEC Way and the NEC 2030VISION, and the Mid-term Management Plan 2025 explains the strategic and cultural aspects. Furthermore, this report focuses on people, who are the driving force behind management implementation of NEC’s “Purpose,” and features roundtable discussions with young researchers and messages from our employees who are at the forefront of creating value. The report also summarizes the management that supports the creation of corporate value, focusing on “materiality”—management priority themes from an ESG perspective.

NEC will keep endeavoring to provide increasingly transparent and continuous information while incorporating feedback from various stakeholders.

**Reporting Period**

April 1, 2020 to March 31, 2021 (hereinafter referred to as “fiscal 2021”; all other fiscal years are referred to similarly). This report also includes information obtained after this reporting period.

**Scope of Report**

NEC Corporation and its consolidated subsidiaries

**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 “Guidance for Collaborative Value Creation”



NEC is a signatory to the United Nations Global Compact.



**Other Related Information**

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

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## Message from the President



### Takayuki Morita

President and CEO (Representative Director)

- April 1983 Joined NEC Corporation
- April 2002 General Manager, Business Development Division
- April 2006 Senior Vice President, Executive General Manager, Corporate Business Development Unit
- April 2008 Senior Vice President
- July 2011 Executive Vice President
- April 2016 Executive Vice President, CGO (Chief Global Officer)
- June 2016 Executive Vice President, CGO and Member of the Board
- April 2018 Senior Executive Vice President and Member of the Board (Representative Director)
- June 2018 Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)
- April 2021 President and CEO (Representative Director) (to present)



## **We will create new social value promoting digital transformation, thinking about the future of both society and our customers, with Purpose-driven Management at the foundation.**

The spread of COVID-19 continues to have a massive impact on the world today. It has brought about many important changes to our lives, sometimes leading to benefits, other times exposing problems. While some of these changes were forward-facing, such as the acceleration of digitalization and the expansion of workstyle reforms and cashless payments, the pandemic also shone a light on the sluggish efforts to digitalize Japanese society as well as the issue of the digital divide, making it a strong reminder of the impact of technology.

The pandemic, in a rather unplanned fashion, sped up the changes that would ring in the next generation of society, and after getting a glimpse into our ideal trajectory, I expect that there will be great strides taken toward the digitalization of society in the future. This experience has taught us that, if digitalization is to go forward, we cannot just transform our technology. We must also transform institutional and social systems, and we must transform our minds in a way that will accept these changes. For people's minds to change, this transformation needs to take place without leaving the vulnerable behind; there needs to be an effort to build public trust toward digitalization and a willingness among every person, ourselves included, to adapt.

Our lives along with the future of the country will change drastically depending on our efforts to digitalize. As a social value innovator, NEC will continue to call on its R&D and highly trusted social implementation technology to serve as a base for promoting digital transformation across society, and to create new social value as part of ensuring a better future for society and our customers.

## The NEC Way and the NEC 2030VISION

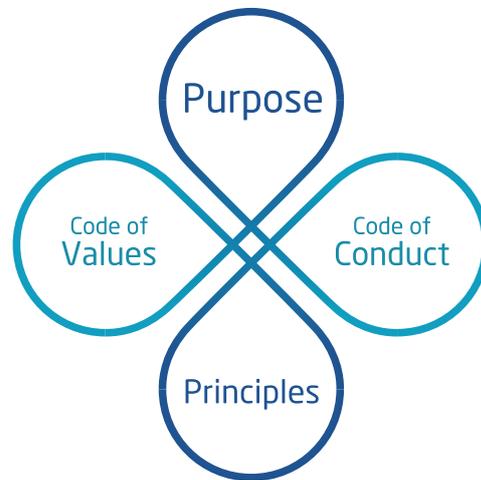
### Creating a More Sustainable World Where Everyone Has the Chance to Reach Their Full Potential

Since its founding, NEC has created social value and engaged in social contribution by consistently working to resolve social issues. Guided by our founding spirit of “Better Products, Better Services,” in 1977 we advocated for “C&C” (the integration of computers and communications), a concept that foresaw the internet-driven world of today and one that is spreading throughout our current society.

To determine our ideal direction for the future, we asked ourselves what NEC is as a company and what we should do going forward; we looked back on the strengths we had cultivated over our history and we reexamined our purpose for being. This reaffirmed our strengths when it came to technology for supporting Japan’s infrastructure and mission-critical systems, as well as our track record in these efforts. These strengths were something we could transform into new value that could contribute to society. Believing that this was our purpose for being, we made a declaration to become a social value innovator, in 2013.

Subsequently, in April 2020 we redefined the NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself. As part of the NEC Way, we determined NEC’s Purpose, “Orchestrating a brighter world,” which involves creating “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 Way



### The NEC 2030VISION as a Compass for Management

If society identifies with our Purpose, I see it as confirmation that we are a trusted organization and that society sees value in NEC’s existence. To clarify what we are trying to achieve through this Purpose, we formulated the NEC 2030VISION to express what our ideal 2030 future looks like.

The NEC 2030VISION looks at future customers and uses their ideal environment, society, and life as the three points of a compass aimed at showing the path and business direction for NEC to follow. If our direction is in sync with the society heading into the future, we should be able to overcome the various difficulties that come along the way to achieving this ideal.

By using our business activities to realize the NEC 2030VISION, we will be able to seize the future together.

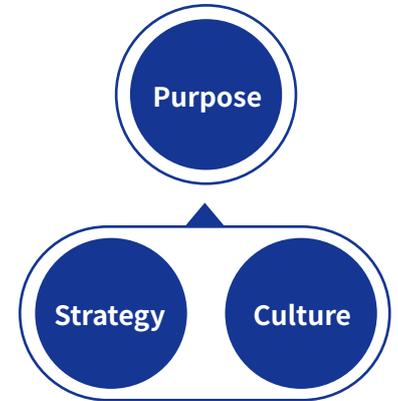
## Mid-term Management Plan 2025

### Purpose-driven Management—A Combination of Strategy and Culture

The Mid-term Management Plan 2025 is a business plan formulated to achieve the NEC Way and the NEC 2030VISION. Since this five-year plan was set to take place over such a period of change, it was developed based on the idea that this plan should not be an extension of what we were already doing, and should instead be focused on investments that would transform the Company, as well as ensure that these investments were made responsibly until they began showing results.

To that end, we looked thoroughly into a resource plan that would better integrate our business and financial strategies and allow us to meet our expectations for business after five years' time.

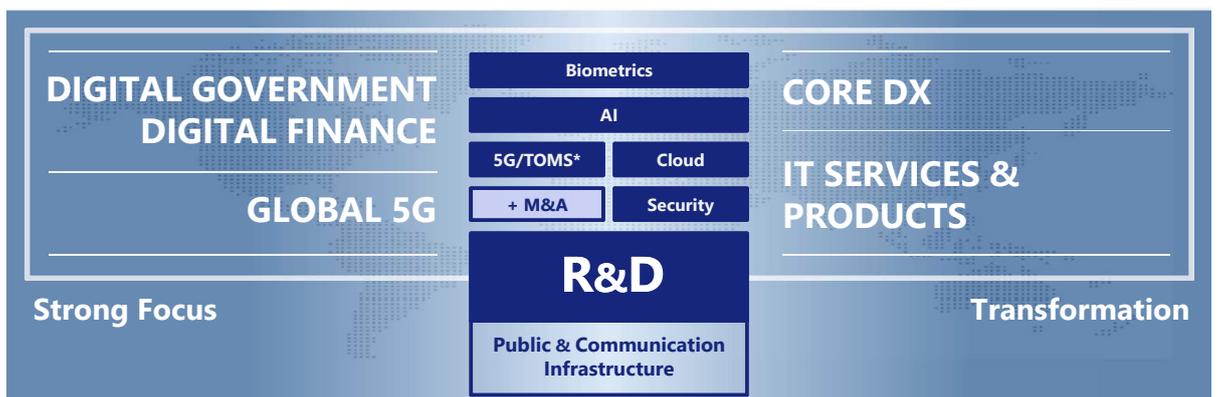
Purpose-driven Management, as we have defined it, involves working on strategy and culture as one. The plan's strategy is aimed at achieving growth by translating NEC's technological strengths into value for customers, and accelerating business expansion globally and transforming business domestically. Our strategies and Purpose are realized by people. This means we need a strong culture that supports highly motivated human resources. Bearing this relationship in mind, we have positioned strategy and culture as one.



### NEC's Growth Model

NEC's strengths lie in its R&D and its high-quality implementation capabilities, which it has used to support social and network infrastructure up to the present day. In order to convert these strengths into value for customers, we intend to develop technologies such as biometrics and AI into a shared platform, supplemented externally through M&As when necessary. We will then use these as a means to expand business, securing high profits and creating cash flow both globally and in Japan. Specifically, we will focus on digital government and digital finance as well as global 5G worldwide, including Japan.

We are also working to transform our IT business in Japan. To do this, we will take advantage of two aspects of our business. The first of these is one of our strengths, the integration of our business from upstream consulting to downstream implementation, and the second is our shared platform, which features superior technology. Using these to their fullest, we will drive



\* Telecom operations and management solutions

## Message from the President

growth across our entire domestic business and enter new markets targeting the digital transformation (DX) of society and companies.

We will also optimize our existing IT business as a whole by making the best use of our assets. By working to improve low profit businesses, we will be able to achieve higher profitability than our competitors.

### **Business Strategy: Achieve Growth by Converting Our Strengths into Value for Customers**

#### **① Digital Government / Digital Finance**

Three companies central to this strategy are NEC Software Solutions UK (formerly Northgate Public Services (UK) Limited), KMD Holdings ApS (KMD), and Avaloq Group AG (Avaloq), which were acquired during the previous mid-term management plan. Over the course of the Mid-term Management Plan 2025, we will generate synergies between these three European companies and NEC. Our goal is to grow business by expanding synergies, not only in terms of sales, costs, and asset utilization but also in areas where we can integrate government and finance.

A common question that follows one of our acquisitions is when we will integrate it into the Group. I believe that if we take a uniform approach toward integration, the strengths of the company could be lost. Instead, we make the best possible use of its strengths and culture, we respect its positive aspects while working to align its vectors with ours, and we create sound and sustainable synergies.

In Japan, we will promote government digitalization. Since government systems operate for long periods of time and need to be reliable, this task requires a company that can fulfill all of its social responsibilities, which includes having the necessary technology, track record and financial standing for the job. We are proud of our track record of contributions made through mission-critical social infrastructure and the protection we have given Japan in the handling of sensitive data, without any problems of note. I would also like for us to make major contributions to the digitalization of the Japanese government.

As we pursue this goal, I believe that we can make great use of the extensive know-how and experience of NEC Software Solutions UK and the Denmark-based KMD, both of which have been central to the digitalization of governments of advanced European nations. Other strengths in our favor include our technical excellence when it comes to biometrics and other forms of personal authentication, as well as our credibility, which we have built through many years of doing business with local and central governments. During this digitalization process, it is important to possess comprehensive strength, which includes experience and resources, in order to facilitate a smooth system migration, and this is yet another instance where NEC's strength can be put to work as well.

#### **② Global 5G**

Looking at global 5G, we will use our domestic commercial performance as the basis for gaining a share of the global market. With the introduction of a variety of rules and standardization regarding the opening of base station specifications, coupled with better hardware performance, Open RAN is entering a stage where it can be applied globally. What will be helpful for us in terms of developing products for the global market is the fact that we are engaged in domestic business related to 5G with global-oriented companies such as NTT Corporation and Rakuten Mobile, Inc.

In the global market, mobile operators welcome an increase in suppliers out of a strong desire for a more competitive environment and more efficient operations, achieved by increasing communication equipment options. Under such conditions, NEC was selected as a commercial vendor for Open RAN by UK-based Vodafone in June 2021. In the same month, NEC was also selected as a vendor for deploying Open RAN as part of a commercial project headed by Deutsche Telekom.

Although our current focus is on base stations, we intend to expand our business into the area of software and services going forward. The shift that took place in the computer market 20 years ago, from being controlled through software with proprietary specifications to open software, is taking place in the world of networks, which suggests that communications equipment and software will become more integrated in the future. Looking at this trend, we anticipate that, in addition to base stations, the market for software and virtualization technology aimed at efficient network operation will develop and expand as well. In light of this, we will leverage our products, including those from Netcracker Technology Corp., which excels in operations support system (OSS) and business support system (BSS) software, to expand business in the Japanese and global markets.

### ③ Core DX

Core DX employs four strategies aimed at achieving business growth. One involves expanding value provision by adopting a consistent approach, from consulting, which includes activities conducted by ABeam Consulting Ltd., to delivery. The second involves enhancing our IT common platform technology and offerings. The third would have us strengthen competitiveness through global strategic collaboration with AWS (Amazon) and Azure (Microsoft). And the fourth strategy achieves business growth through flagship projects for the national and local governments as well as for “super cities.”

There is increasing demand among customers for comprehensive solutions that cover consultation to delivery. In anticipation of this situation, we acquired ABeam Consulting, which is best-in-class in Japan in terms of the number of consultants and scale of sales. In addition, NEC has launched its own strategic consulting unit in order to strengthen its approach to strategic partners. When we talk of “seizing the future together,” we have to demonstrate how society should change when a technology goes into effect, how we should keep and utilize data, and what systems will be necessary in response. We also need to communicate both the good and bad aspects of these matters. More than ever, we will be proactive toward presenting our vision for the future, offering up ideas for what we should do and change, delivered from the perspective of the end-user.

NEC is also taking steps to transform itself into a platform for DX experimentation. This has two major benefits. One is that our own DX will increase our competitiveness as a company. The other is that, by using ourselves as a platform to substantiate cutting-edge DX, we can become a strong -use case for customers. To promote these potential benefits, we established a Transformation Office under my direct supervision and will carry out a corporate transformation, which includes business processes, aimed at completion in three years’ time. With these efforts, NEC will become a world-class global company at the forefront of DX, both in name and practice.

What is more difficult than creating IT systems themselves is transforming business processes and maintaining a data registry. This is due to the fact that the business processes that the systems are based on, and by extension, the workstyle and approach for each process as well as the data, for which entry methods vary for each system, need to be arranged neatly. This will take time, but we will take steady steps forward to accomplish this goal.

Over the past year and a half, we have neared completion of our blueprint for transformation and have begun rolling it out into the field.

### ④ Creation of Future Growth Businesses

As part of the Mid-term Management Plan 2025, we will work to create future growth businesses, which will help realize the ideal environment, society, and life laid out in the NEC 2030VISION. We will leverage 10 years of cultivated know-how and methods related to new business development to promote commercialization of NEC’s disruptive technology.

## Message from the President

We can refer to specific examples in the healthcare and life science businesses and in businesses related to carbon neutrality. The target we have set for NEC's healthcare and life science businesses is a business value of ¥500 billion by fiscal 2031, with efforts that include AI-based drug discovery and endoscopic image analysis as well as life support solutions that utilize visualization of health conditions. For businesses related to carbon neutrality, our goal is to contribute to a decarbonized society through more efficient and optimal energy management, made possible by developing products for decarbonization management solutions and by commercializing circular economies.

When evaluating these businesses, we will use internal rate of return (IRR) as an indicator to assess the return on our investments and will also determine the pros and cons of individual investments. At the same time, we will continue to manage our investments while bearing in mind the scale of risk for a new business area. One cannot evaluate a new business with the same indicators that measure a stable, already established business. For new areas, we will set both qualitative and quantitative indicators and keep watch over their progress while using these areas to improve NEC's business value.

### **Financial Strategy: Maximizing Long-Term Profit and Optimizing Short-Term Profit**

Our financial strategy involves continuously generating cash, both as a source for sustainable growth and as a means to improve corporate value further. To these ends, we will shift from conventional profit and loss (P&L) management to management that emphasizes capital efficiency and conduct capital allocation focused on business growth.

For our financial measurement methodologies, we balance business growth in response to market expectations with maintenance and improvement of financial soundness. For non-financial measurement methodologies, we promote management that supports sustainability through efforts made under the Mid-term Management Plan 2025. To guide these efforts, we have set KPIs and formulated materiality from the perspective of ESG, with "E" representing the environment; "S" which stands for society but also represents security, AI and human rights, and diversity; and "G" representing corporate governance, supply chain sustainability, and compliance. Our goal is to remain a part of ESG indices used for ESG investment, and to do so, we are building up non-financial initiatives rooted in materiality and providing highly transparent information disclosure. Inclusion in ESG indices is not only a testament to the trust society and the capital markets have in a company, it also fosters pride and motivation in employees.

 For more information on NEC's financial strategy, please refer to the CFO Message on page 30.

For more information on materiality, please refer to the Materiality section on page 28.

### **Human Resources and Culture**

To create social value in the coming times, we need highly capable human resources and the ability to attract such human resources. I believe that the key to having both is a corporate culture that allows people to play an active role. Providing an open organization and environment that allows people to see outside their circle as they work is an important part of acquiring human resources. Thanks to the various measures implemented under the previous mid-term management plan, the employee engagement score at NEC has increased dramatically. Currently, we are making solid efforts to enhance the level of internal communication. I believe it is important to bridge the gap between management and employees by providing opportunities for both sides to meet face to face and engage in two-way communication. As part of this effort, we are holding online town hall meetings, and this year we have already held 12 such meetings, not only for employees in Japan but employees overseas as well. I believe that establishing a flatter and more open organizational environment is an important part of making the organization stronger.

**We will implement strategic and cultural measures steadily in order to create new social value, with Purpose-driven Management as our compass.**



We cannot forget our pool of human resources. While continuing to enhance recruitment from outside the Company, we will promote diversity from within in the form of women, foreign nationals, young people, and everyone in between, actively looking to hire talented and highly motivated people. In doing so, we will transform our company and live up to the motto of our HR policy: “NEC, for those who seek challenge.”

 For more information on NEC’s human resources, please refer to “NEC, for Those Who Seek Challenge” on page 40.

## Venturing Toward New Growth

After reaching the target set under the previous mid-term management plan in fiscal 2021 of an operating margin of 5%, we assessed that we had managed to establish a solid foundation for improving our financial standing and facilitating business growth. The Mid-term Management Plan 2025 is now meant to serve as a new beginning. It has been formulated to help us realize our ideal vision for the Company and strikes a balance between devising future strategies for competing in the global market, making aggressive investments for growth, and creating new markets. As one of the leading figures in formulating the plan, I personally think that we have created something grounded and feasible, thanks to having crafted it in collaboration with the officers who will be in charge of each of its important measures. As for the human resources who will make this strategy a reality, we intend to take the cultural reforms advanced in the previous mid-term management plan and push them one step further. When we achieve best-in-class in employee engagement globally, every aspect of these employees—their creativity, productivity, competitiveness, the list goes on—will manifest itself in a drastic leap in the Company’s competitive strength.

By implementing our measures related to both strategy and culture in a steady fashion, we will create social value, which will lead us to reaching the financial and non-financial targets laid out in the Mid-term Management Plan 2025. This in turn will allow NEC to realize its Purpose. Going forward, NEC will continue working as a good corporate citizen needed by society, toward sustainable growth aimed at realizing a better future.

# NEC's Value Creation Journey

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 Services," NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunications equipment and computers.

## 1899

### 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.



Founder: Kunihiro Iwadare

## 1977

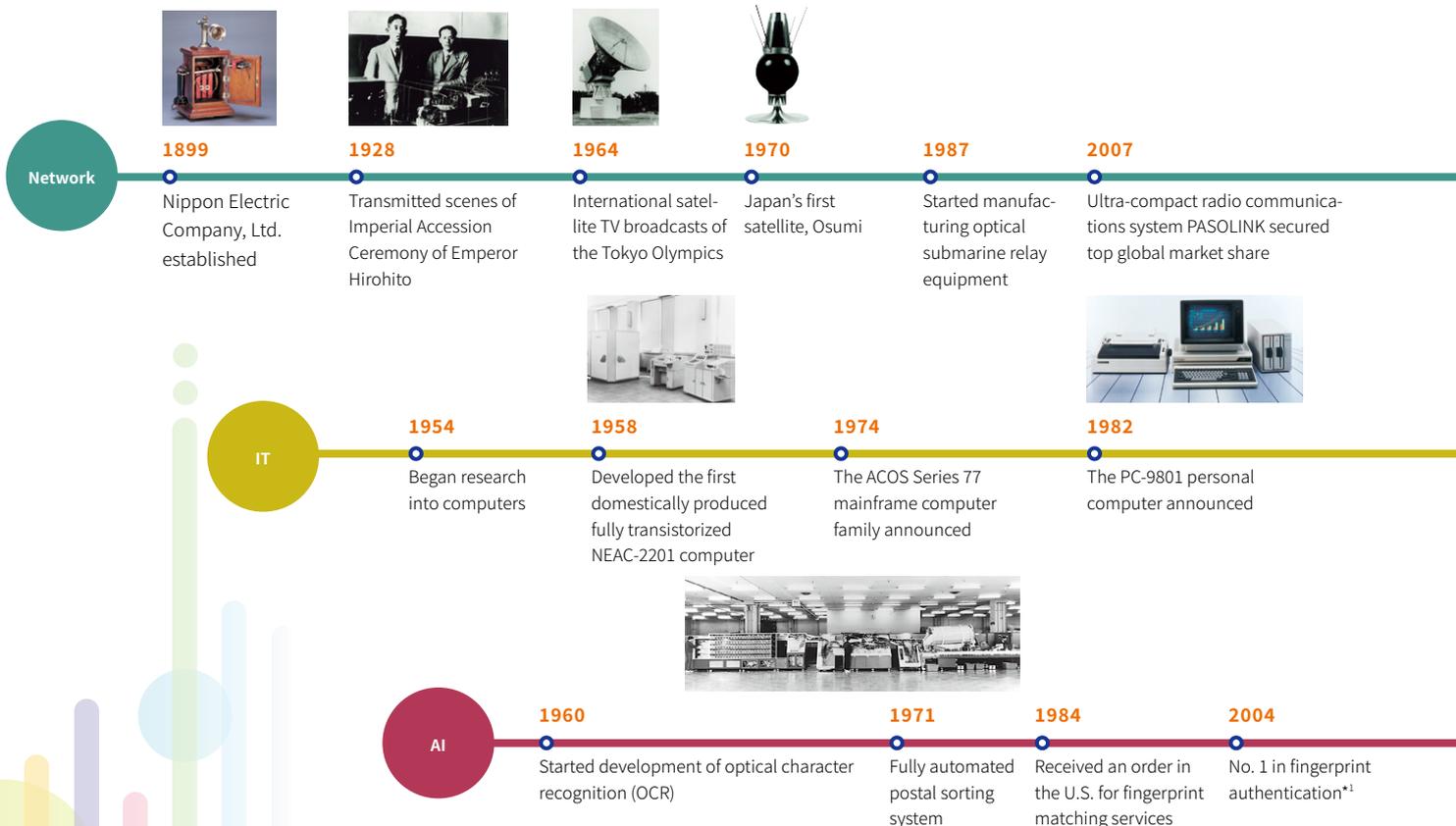
### C&C Announced

#### 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."



Announcement of C&C at INTELCOM '77



# 2013

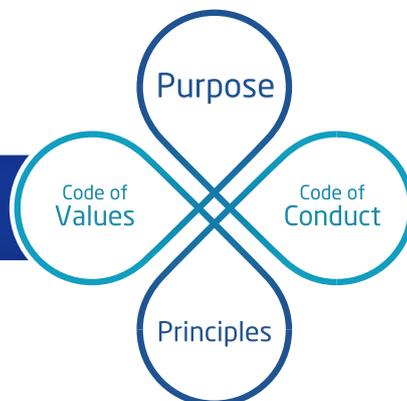
## Transformation into a Social Value Innovator

### Orchestrating a brighter world

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

# 2020

## NEC Way



To mark the 120th anniversary of our 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.”



2010

Asteroid explorer “HAYABUSA” successfully returned to Earth

2016

Submarine cable installation reaches over 250,000km, enough to encircle the Earth six times

2018

Asteroid explorer HAYABUSA 2 reached the asteroid Ryugu

2019

Began shipping base stations for 5G networks

2002

The Earth Simulator, the world’s fastest supercomputer system for resolving global environmental problems, completed

2012

Built ICT infrastructure for multiple stadiums used in the Soccer World Cup held in Brazil

2015

Contributed to implementation of the Individual Number System

2020

Started quantum computing application services

2009

No. 1 in facial authentication\*2

2016

Biometrics solutions adopted in 70 countries in total  
Formulated the AI technology brand “NEC the WISE”

2018

Established the biometric authentication brand “Bio-IDiom”

2019

Entered the drug discovery business specializing in advanced immunotherapy using “NEC the WISE”

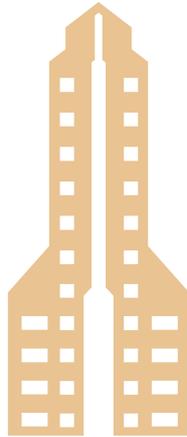
**NEC’s strengths developed to date**

\*1 Ranked 1st eight times in task assessment sponsored by the U.S. National Institute of Standards and Technology (NIST) \*2 Ranked 1st six times in task assessment sponsored by NIST

# What is NEC

## Establishment

**1899**



## Number of employees\*1

Approximately



**115,000**

## Average age of employees\*1\*2



Male **44.2** years old



Female **41.5** years old

## Market capitalization

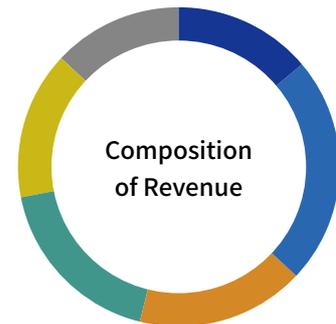


Approximately

**1.6** trillion yen

## Revenue\*3

Public Solutions Business	14%
Public Infrastructure Business	23%
Enterprise Business	17%
Network Services Business	18%
Global Business	15%
Others	13%



**2,994.0** billion yen

## EBITDA\*3



**295.8**  
billion yen

**9.9** %

## Owner's equity ratio\*4



**35.7** %

## R&D expenses\*3



**114.6**  
billion yen

\*1 As of March 31, 2021    \*2 For NEC Corporation on a standalone basis    \*3 Actual results for fiscal 2021    \*4 Actual results for March 31, 2021

\*5 Ratio of employees returning to work who started childcare leave in fiscal 2019    \*6 Based on the Act on for Promotion of the Employment of Persons with Disabilities Law, as of June 1, 2021    \*7 Ranked 1st six times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)

\*8 Ranked 1st eight times in benchmark testing sponsored by the NIST    \*9 Ranked 1st two times in benchmark testing sponsored by the NIST

### CDP (Climate Change, Water Security, and Supplier Engagement)



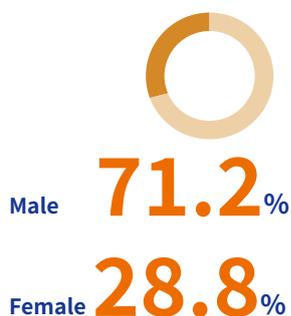
**A** List

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



### Diversity-related indicators

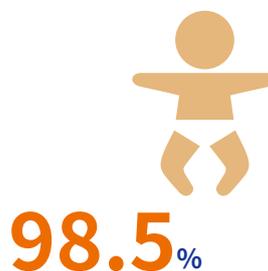
Ratio of male and female hires\*2\*3



Ratio of female managers\*1



Ratio of employees returning after childcare leave\*2\*5



Ratio of employees with disabilities\*2\*6



### Number of patents\*1



Approximately

**46,000**

### Technological capabilities



Global **No. 1**

## Value Creation Process

When implementing NEC's Mid-term Management Plan 2025, NEC will provide value to its various stakeholders by connecting strategy and culture based on its unique tangible and intangible assets. Additionally, NEC aims to fulfill the NEC 2030VISION, which is the specific vision for its "Purpose."

The direction of NEC's Purpose and the NEC 2030VISION is identical in spirit to the SDGs' pledge to "leave no one behind," and NEC will contribute to the achievement of the SDGs through dialogue and co-creation with various stakeholders, taking advantage of the technologies and competence in implementation that it has cultivated.

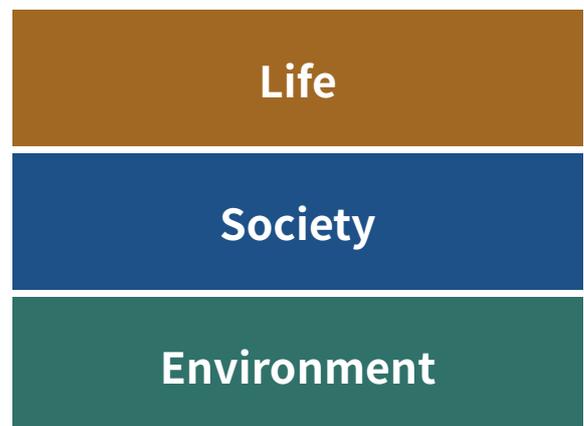




## Orchestrating a brighter world

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.

### NEC 2030VISION



## Review of the Mid-term Management Plan 2020

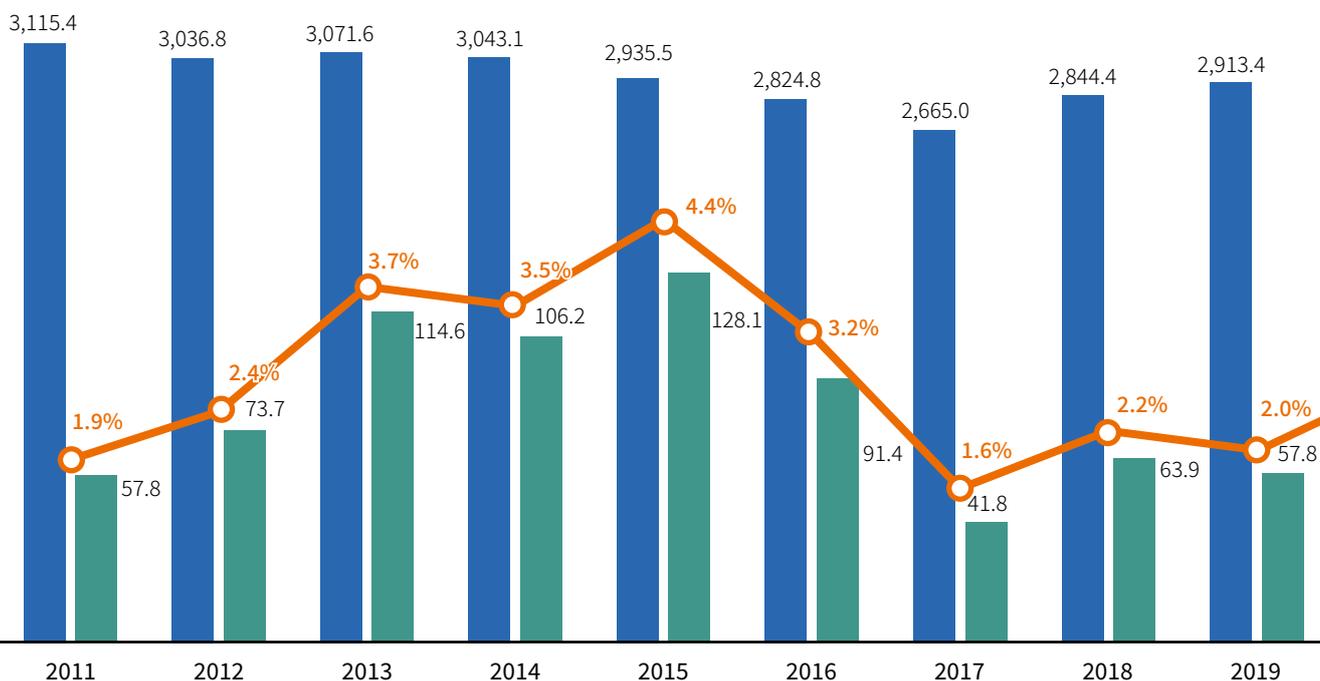
# Performance Results and Key Management Measures

Achieve the targets for operating profit and operating profit ratio set out in the Mid-term Management Plan 2020 by repositioning NEC on a growth trajectory by optimizing our business portfolio, growing our business, and strengthening our financial foundation

- FY2011**  
Made NEC Electronics Corporation, a semiconductor business and currently Renesas Electronics Corporation, into an equity-method affiliate
- FY2012**  
Made the consumer PC business into an equity-method affiliate
- FY2013**  
Acquired the business support system business of U.S.-based Convergys Corporation
- FY2014**  
Divested all of NEC's stakes in NEC Mobiling, Ltd., currently MX Mobiling Co., Ltd., a mobile phone sales business
- FY2015**  
Divested all of NEC's stakes in NEC BIGLOBE, Ltd., currently BIGLOBE Inc., an internet service provider, in March 2014
- FY2017**  
Consolidated Japan Aviation Electronics Industry, Limited
- FY2018**  
Acquired U.K. company Northgate Public Services Limited
- FY2019**  
Established dotData, Inc. in the U.S.  
Established NEC X, Inc. in the U.S.  
Acquired Danish company KMD Holding ApS  
Sold shares in electrode business
- FY2020**  
Sold shares of Nippon Avionics Co., Ltd.
- FY2021**  
Decided to convert NEC Display Solutions Ltd. into a joint venture  
Acquired Swiss company Avaloq Group AG

### Trends in Business Performance

■ Revenue (Billions of yen) ■ Operating profit (Billions of yen) ○ Operating profit ratio (%)



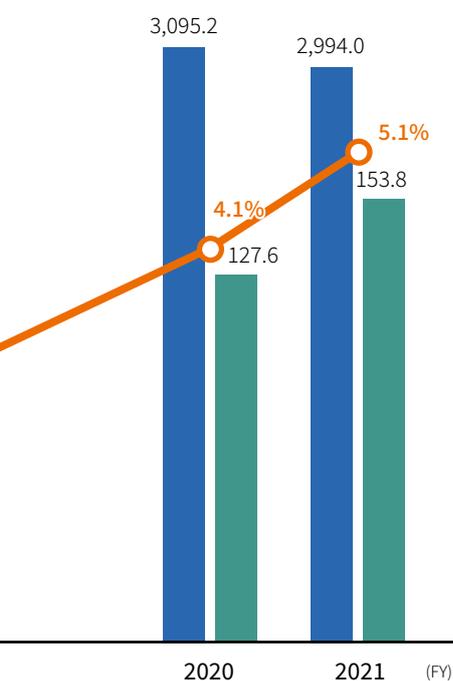
Note: Financial results were reported under Japanese Generally Accepted Accounting Principles (JGAAP) until fiscal 2015. From fiscal 2016 onward, results have been reported under International Financial Reporting Standards (IFRS).

Background to Formulating the Mid-term Management Plan 2020

**Slump in Profitability**  
(Fiscal 2017 operating profit ratio of 1.6%)

**Decline of Existing Businesses Exceeding Expectations**

**Inability to Fully Implement**



Main Initiatives and Core Objectives of the Mid-term Management Plan 2020

# 1

## Reform of Profit Structure

### Reduction of SG&A Expenses

- ▶ Career transition support measures

### Business Structure Reforms

- ▶ Decision to stop receiving new orders in the energy business
- ▶ Sale of electrode business
- ▶ Joint venture for display business

### Production Structure Reform

- ▶ Optimization of NEC Platforms production structure, sale of Tsukuba Research Laboratories

# 2

## Growth Achievement

### Safer Cities

- ▶ Acquisition of Northgate Public Services Limited (currently NEC Software Solutions UK Limited) in the United Kingdom, KMD Holding ApS in Denmark, and Avaloq Group AG in Switzerland

### 5G

- ▶ Strategic cooperation with NTT Corporation and Rakuten Mobile, Inc.
- ▶ Launch of trial tests with the United Kingdom and Germany

### Digital Transformation (DX)

- ▶ Establishment of digital platforms and offerings

# 3

## Restructuring of Execution Capabilities

### Strengthening of Business Development Capabilities

- ▶ Establishment of dotData and NEC X with aim of monetizing new technology
- ▶ Entry into drug discovery business

### Transformation of NEC's Culture

- ▶ Revision of the NEC Way
- ▶ Revamp of the corporate officer system, one-year terms of office
- ▶ Introduction of new evaluation system that encourages innovative actions and challenges
- ▶ Hiring and appointment of diverse talent to executive and other positions

**Initiatives for "Materiality"**  
—Priority Management Themes from an ESG Perspective

Incorporate world-renowned Environmental, Social, and Governance (ESG) indices

- E: Contribute to decarbonization through business
- S: Minimize the impact of serious security incidents, promote businesses that prioritize respect for human rights, transform NEC's culture, and promote inclusion and diversity
- G: Achieve zero cases of involvement with serious cartels and/or bid-rigging, reinforce Board of Directors system, revise remuneration system for directors and A&SBMs, and promote initiatives for collaborating with suppliers

**S** For more details on ESG-related goals, achievements and progress, and degree of completion, please refer to page 11 of *Sustainability Report 2021*.

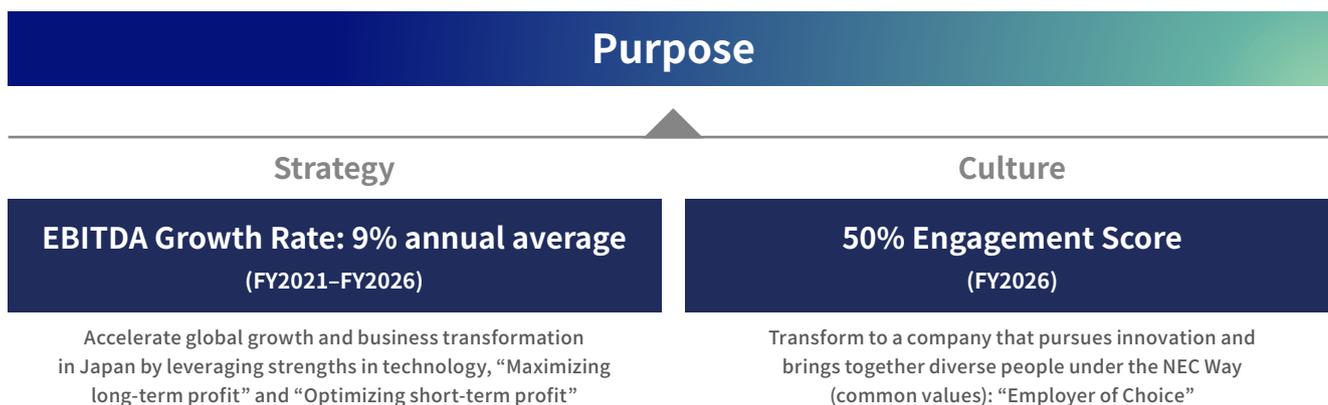
# Mid-term Management Plan 2025

## Achievement of NEC's "Purpose"—A Combination of Strategy and Culture

The NEC Group has formulated the Mid-term Management Plan 2025, which concludes in fiscal 2026, with the aim of realizing the NEC 2030VISION and NEC's "Purpose" set forth in the NEC Way. Under the Mid-term Management Plan 2025, we have set indices for strategic and cultural targets for promoting the management of NEC's Purpose.

**Strategy:** We will achieve growth through acceleration of global growth and transformation of domestic businesses by providing customer value through NEC technology. In financial terms, our financial strategy is integrated with our business strategy, with the first priority being to maximize long-term profit, followed by optimizing short-term profit.

**Culture:** We believe that our cultural strength is the strength of people to implement our strategies and realize our purpose. We will aim to be a company that pursues innovation and brings together diverse human resources under the NEC Way—the NEC Group's common set of values that form the basis for how the Group conducts itself.



### Mid-term Management Targets

(Billions of yen)	FY2021 Results	FY2026 Targets
Revenue	2,994.0	<b>3,500.0</b>
(Growth rate from FY2021)	—	<b>3.2%</b>
Adjusted operating profit	178.2	<b>300.0</b>
(Revenue %)	6.0%	<b>8.6%</b>
Adjusted net profit	165.4	<b>185.0</b>
(Revenue %)	5.5%	<b>5.3%</b>
EBITDA <sup>*1</sup>	295.8	<b>450.0</b>
(Revenue %)	9.9%	<b>12.9%</b>
ROIC <sup>*2</sup>	4.7%	<b>6.5%</b>

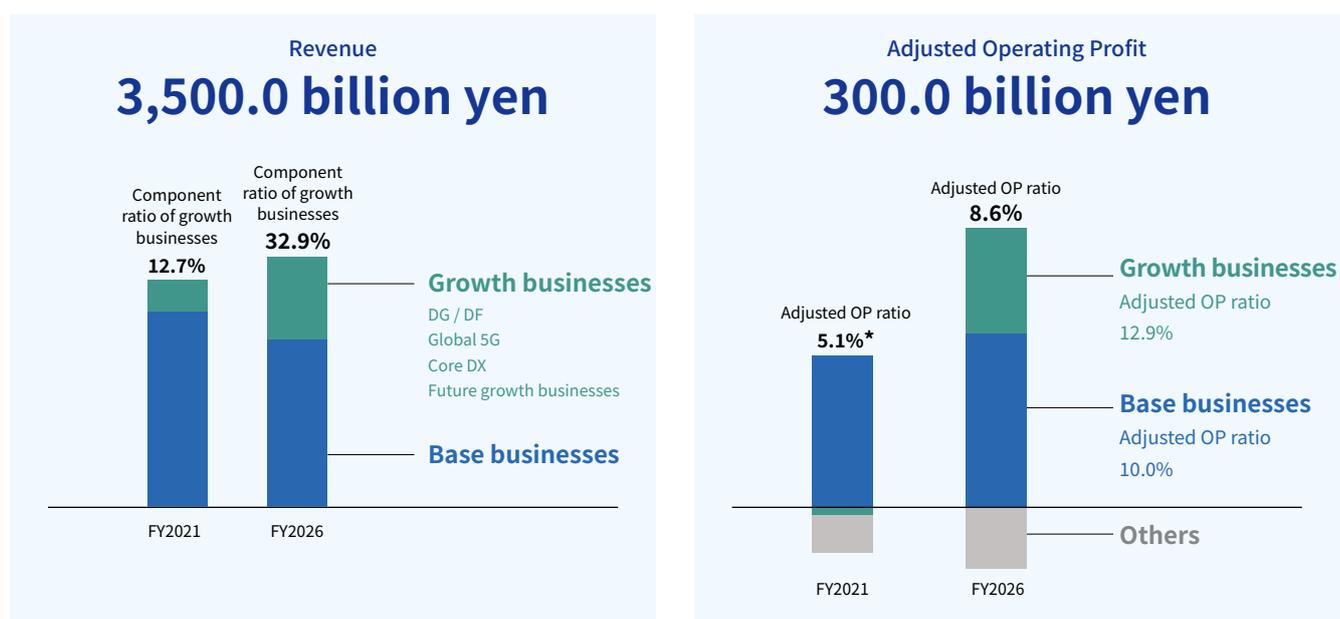
\*1 EBITDA = Gross profit – SGA expenses + Depreciation/amortization

\*2 ROIC = (Unadjusted operating income – Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets [Including minority interest])

## Achieve Earnings Growth through Both Growth Businesses and Base Businesses

Growth businesses are classified as digital government/digital finance, global 5G, core DX, and future growth businesses, whereas base businesses are all other businesses.

In growth businesses, the NEC Group will prioritize the allocation of resources in order to acquire and strengthen its competitive advantage, with the aim of driving growth in revenue and profits. In base businesses, given the cautious business environment, the focus will be on improving profitability and aiming to steadily improve profit.



Strategy	Business Strategies	Digital government/ Digital finance	<ul style="list-style-type: none"> <li>Transform into a top-class vertical SaaS vendor in the global DG/DF market</li> </ul>
		Global 5G business	<ul style="list-style-type: none"> <li>Aim for 20% market share in the Open-RAN market in 2030, including expansion in the Japanese market from primarily a base station hardware provider to a full software and hardware solutions provider</li> </ul>
		Core DX business	<ul style="list-style-type: none"> <li>Expand our value proposition through a comprehensive approach encompassing consulting to delivery</li> <li>Price strategy and gross profit improvement through common ICT platform technologies and offerings</li> <li>Strengthen competitiveness through hybrid IT (Cloud/DC/On-Premises) alliances and in-house optimization</li> <li>New business opportunities (social, enterprise transformation)</li> <li>Expand the DX domain by leveraging the implementation capabilities of technology/policy linkage/E2E</li> </ul>
		Future growth businesses	<ul style="list-style-type: none"> <li>Create growth businesses that will realize the NEC 2030VISION with strong technologies and inbound innovation</li> </ul>
		Base businesses	<ul style="list-style-type: none"> <li>Maintain profitability above our competitors for our high -and medium-profit base businesses</li> <li>Improve profitability by establishing a monitoring system for low-profit businesses</li> </ul>
	Financial Strategies	Maximizing long-term profit and Optimizing short-term profit	<ul style="list-style-type: none"> <li>Use continuously generated cash flow to fund sustainable growth and enhance corporate value through optimal capital allocation and by building robust financial and non-financial measurement methodologies</li> </ul>
Culture	Transformation of culture and how we work	<ul style="list-style-type: none"> <li>Transformation of people and culture</li> <li>Establishment of business infrastructure</li> <li>Creation of a shared vision for a brighter future</li> </ul>	

Mid-term Management Plan 2025

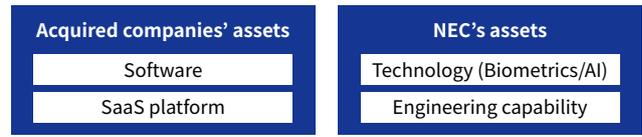
Business Strategy

Digital Government and Digital Finance Business .....



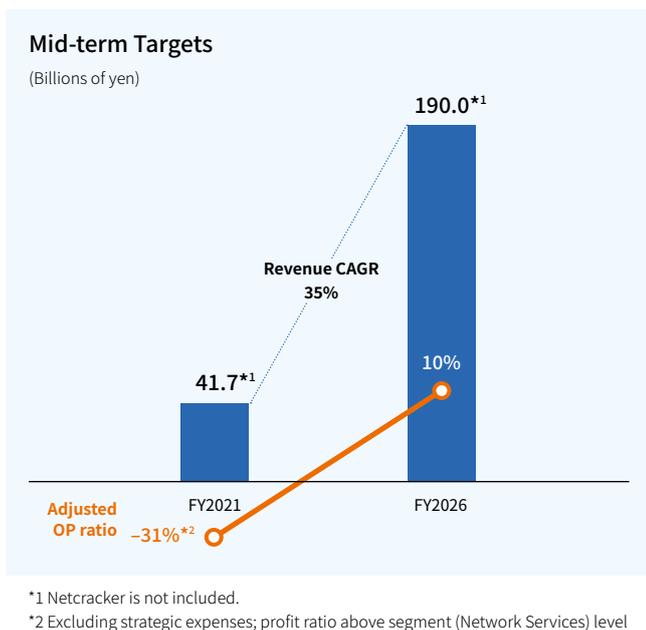
We intend to expand business in digital governments and digital finance by promoting organic growth in the European market and leveraging three European companies acquired during the Mid-term Management Plan 2020—NEC Software Solutions UK, KMD Holdings ApS (KMD), and Avaloq Group AG (Avaloq). We will also engage in cross-sales and bolt-on acquisitions toward the same goal. We are also taking steps to integrate and optimize our existing assets while restructuring our business foundation. Both of these actions will help stabilize our business foundation.

In addition, we will increase business synergies through deeper integration of government and finance and other domains, made possible by taking advantage of cost synergies, sales synergies, and greater usage of digital IDs. Another strategy we are planning to undertake is the creation of new growth areas, which involves finding new business opportunities from customers in different industries.



**Stabilization by remodeling business foundations, including three recently acquired companies**  
**Earnest pursuit of business synergy and creation of new growth areas**

Global 5G Business .....



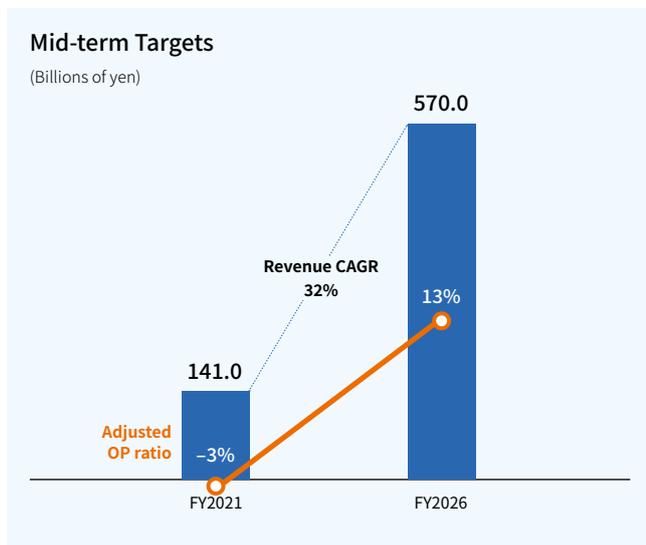
Phase 1 of our plan for the Global 5G business, which we aim to complete by fiscal 2023, aims to create a series of global firsts in terms of commercial achievements on the back of alliances with NTT Corporation and Rakuten Mobile, Inc. Based on this strategy, we intend to take a leading position in overseas markets as a vendor of Open RAN, taking advantage of differentiated technology and considerable performance in terms of TCO.\*

For Phase 2, which is to be completed by fiscal 2026, we will shift our profit focus from hardware to software licensing by enhancing applications and other end-to-end capabilities.

\* Total Cost of Ownership

<p><b>Phase 1 ~ 2022</b>                      Establishment of Open RAN vendor position in overseas markets</p> <p><b>Phase 2 ~ 2025</b>                      Expansion of SW/service business segments and acquisition of profit sources</p>
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## Core DX Business



We are ramping up investments in core digital transformation (DX) to spur transformation in our domestic IT business. Our goal is to improve operating profit ratio from 8% to 13% by moving from an individualized optimization model that is optimized for each industry and customer, to a model that utilizes DX to allow for optimization across the board. To this end, we will build a system more attuned toward providing value to customers by first creating a common platform to utilize NEC’s strengths in R&D and engineering, and then incorporating inbound technology from external sources through M&As and venture capital.

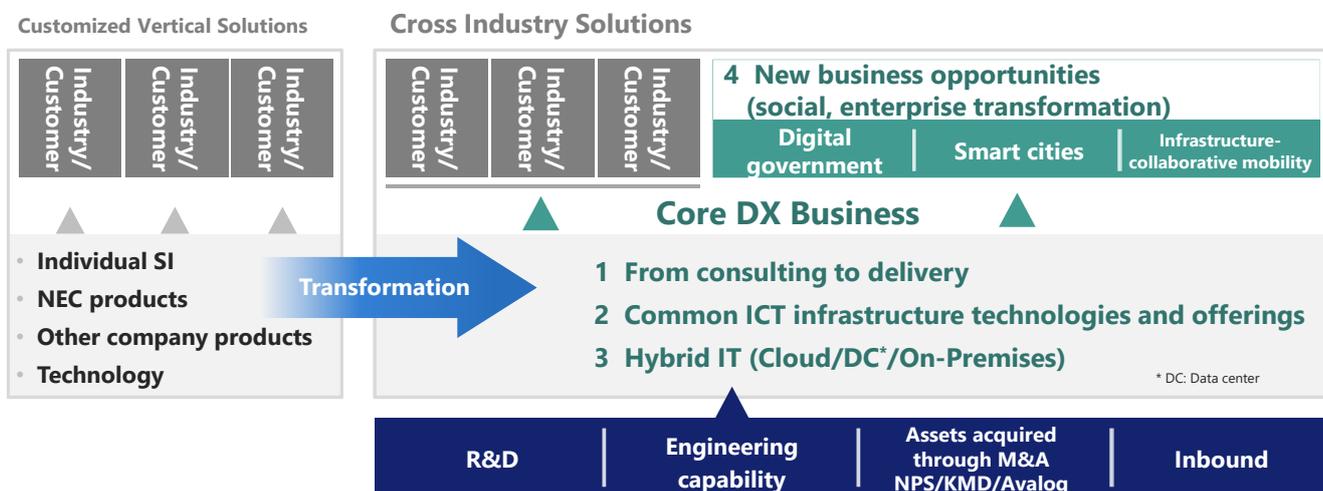
We have highlighted four strategies toward transforming the IT business in Japan. The first is to expand value provision

by adopting a consistent approach encompassing consulting to delivery. This strategy relies on a combination of the upstream consulting strength of ABeam Consulting Ltd., which operates on a domestic scale of 5,000 consultants, and the strength of NEC’s delivery capabilities.

The second strategy is to improve profitability and price competitiveness through common ICT platform technologies and standardized offerings. Our plan is to create a platform using NEC technology that will effectively facilitate effective DX for both companies and society with the idea that repeated usage will reduce costs. We also aim to improve price competitiveness by standardizing our solution offerings and setting prices based on value provided.

Our third strategy is intended to increase competitiveness by creating a hybrid IT environment through an optimal combination of cloud, data center, and on-premises functions. This IT environment will be optimized to meet individual needs through the combination of NEC’s own high-security, multi-cloud and global strategic collaborations with AWS (Amazon) and Azure (Microsoft).

As a fourth strategy, we will work to lead the shift in society with DX. To do this, we will coordinate with government policy and utilize our technologies, such as biometrics and AI, as well as our end-to-end implementation to back projects that will transform society. These projects involve the steady promotion of DX in domestic governments spurred on by the establishment of the Digital Agency, the construction of super cities, and infrastructure-collaborative mobility.



**Transformation** →

R&D

Engineering capability

Assets acquired through M&A  
NPS/KMD/Avaloq

Inbound

## Mid-term Management Plan 2025

### Creation of Future Growth Businesses

Looking to the future, the Mid-term Management Plan 2025 also calls for the creation of future growth businesses, in addition to digital governments, digital finance, 5G, and core DX. NEC's disruptive technology stands to upend the mainstream technologies of the current day. It is the basis of our efforts to create new businesses, and we will work with forward-looking customers in Japan and overseas and research institutions in Japan and abroad to commercialize the technology, applying the business development know-how we have cultivated in recent years. Our target business areas align with the layers of the NEC 2030VISION: environment, society, and life.

We plan to create growth businesses that will help realize the NEC 2030VISION, using our highly capable technology, overseas business models abroad, industry know-how, and collaborations with research institutions and venture capitalists as starting points.

### Accelerating commercialization by integrating R&D and business development

**Disruptive technologies**

Unique technologies that could disrupt current business models (privacy-preserving data-analytics)  
 Defense technologies (quantum cryptography, laser communication, etc.)

**Inbound innovation**

Overseas business models and industry-specific know-how  
 Collaboration with advanced customers, research institutions, and venture capitalists

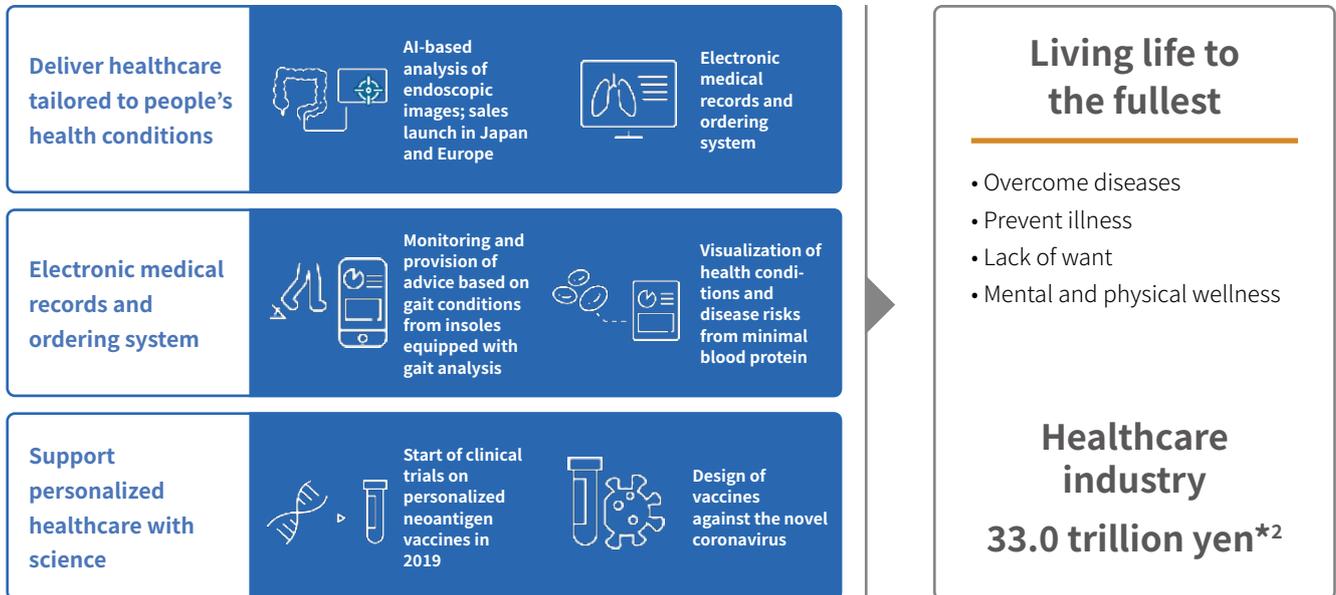
**New business development know-how**

dotData, AI-based drug discovery, and other new business development achievements  
 Business development methods\* utilizing internal and external capital

\* Carve-out, M&A, spin-in/spin-out, crowdfunding

**Specific examples of initiatives:**

**1) Healthcare and life-related businesses; FY2031 NEC healthcare business value: 500.0 billion yen\*<sup>1</sup>**



\*<sup>1</sup> Calculated using both the comparable company method and the DCF method based on a target for 2030 (sales revenue of 100.0 billion yen)

\*<sup>2</sup> Source: Future Direction of the Next Generation Healthcare Industry Council (published by the Ministry of Economy, Trade and Industry, 2018). Market size is an estimate of the Japanese market in 2025.

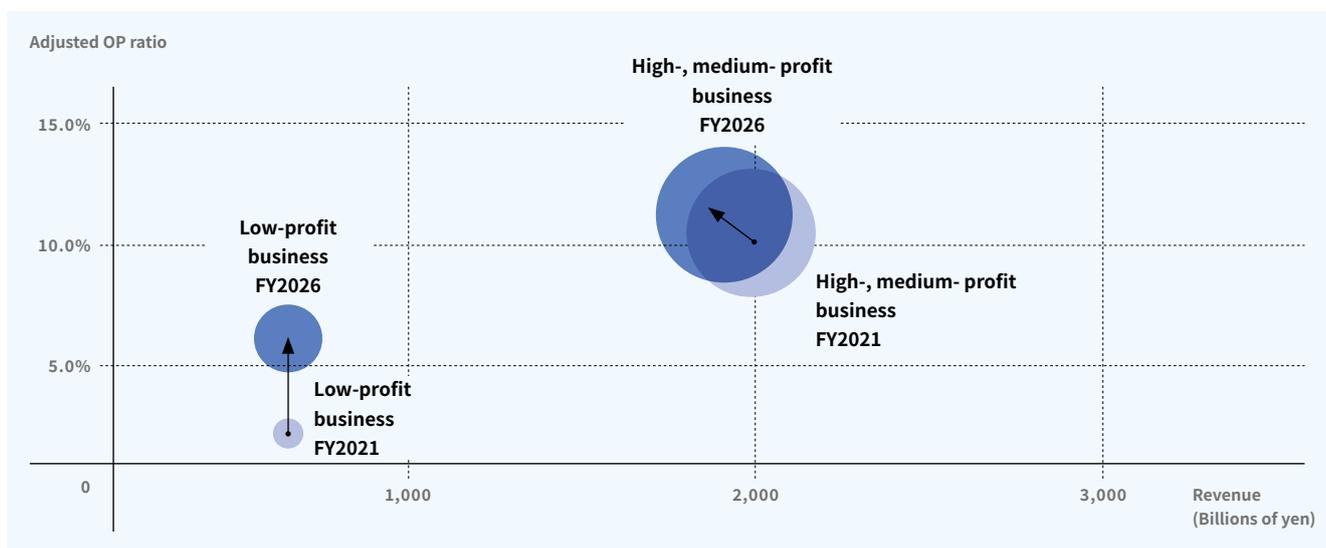
**Specific examples of initiatives: 2) Businesses related to carbon neutrality**

**I** For more information on our businesses related to carbon neutrality, please refer to the section "Contributing to Decarbonization through Business."

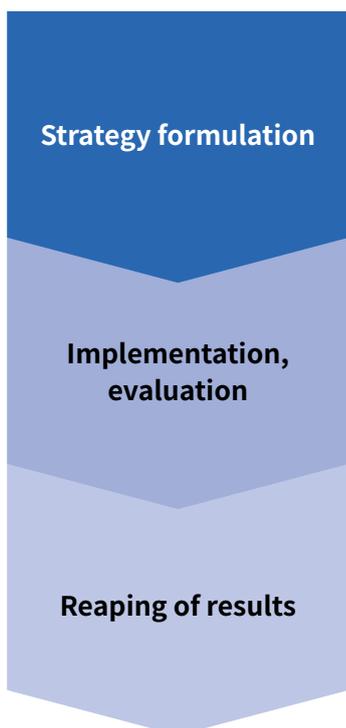
## Base Businesses

To improve the profitability of our base businesses, we have set a hurdle rate for operating profit ratio and divided the businesses into categories, and are using this rate to conduct a Group analysis, after which we will clarify policies in response to the analysis and formulate individual plans accordingly. For medium- and high-profit businesses, we will select benchmark companies and strive to overtake them in terms of operating profit ratio. As for low-profit businesses, we will formulate

individual turnaround plans aimed at improving profitability. After this, we will monitor the progress of the plan, take resources from businesses that do not achieve their objective, allocate them to key areas, and take appropriate action. With these measures, we expect to reap the benefits of our improvement plan, complete our review of our business portfolio, and raise profitability up to our target level by fiscal 2026.



### Low-profit business monitoring system



#### FY2021 2H

- Setting of hurdle rate
- Formulation of turnaround plan

- Implementation of investments to carry out plans
- Review of business portfolio
- Exit/resource allocation from underperforming business to key segments

#### End of FY2026

- Achievement of target levels

## Mid-term Management Plan 2025

# Financial Strategy

### Enhancing Cash Generation Capabilities by Building Robust Financial and Non-Financial Measurement Methodologies .....

Under the Mid-term Management Plan 2025, NEC will shift to management that emphasizes capital efficiency and undertake capital allocation to secure investment funds, which will underpin its medium- to long-term growth. We will also continue to build on our robust financial and non-financial measurement methodologies in order to ensure sustainable growth while strengthening our ability to respond to changes in our business environment so that we do not miss out on key opportunities.

By means of growth strategies and management foundation reforms, we will continue to bolster our ability to create cash while pursuing a business structure conducive to constantly generating adjusted operating profit of ¥300.0 billion by fiscal 2026.

**I** Please refer to the CFO Message on page 30 for more details on our financial strategy.

**Augment growth strategies**

**Shift from P/L management to management that also emphasizes capital efficiency**

- Achieve investment returns beyond the market expectations (capital cost)
- Continue activities to improve capital efficiency, such as CCC compression and reduction of cross-shareholdings

**Capital allocation focusing on business growth**

**Respond to changing business environments without missing out on opportunities**

**Building of robust financial and non-financial measurement methodologies aimed at sustainable growth**

- Maintain investment capability to respond to global competitors
- Reinforce non-financial measurement methodologies to underpin sustainable growth of the company and society

### Reinforcing Non-Financial Measurement Methodologies to Underpin Sustainable Growth .....

#### “Materiality” in the Mid-term Management Plan 2025 (from fiscal 2022)

Key Themes (Materiality)	Main Initiatives	FY2026 KPIs
<b>E</b> Climate change (Decarbonization)	1. Acceleration of environmental management toward achievement of SBT* <sup>1</sup> 1.5 °C by 2030 2. Contribution to CO <sub>2</sub> reduction through customer DX	1. 33.6% reduction* <sup>2</sup> (compared with FY2018)
<b>S</b> Security AI & human rights Diverse human resources	1. Development of human resources in advanced security to handle social infrastructure 2. AI provision and utilization prioritizing respect for human rights	1. Doubling of internationally certified personnel 2. Incorporated initiatives based on the AI and Human Rights Principles
<b>G</b> Corporate governance Supply chain sustainability Compliance	1. Further improvement of transparency of corporate governance 2. Strengthening of collaboration with suppliers from a human rights/environmental perspective 3. Eradication of serious compliance incidents	2. Suppliers agreeing to procurement guidelines: 75%* <sup>3</sup> 3. No. of serious incidents: 0

\*1 Science Based Targets (SBT): Corporate CO<sub>2</sub> emissions reduction targets that are in scientific agreement with the global target of the Paris Agreement

\*2 Scope 1, 2

\*3 Ratio based on procurement amount

Over the course of the Mid-term Management Plan 2025, we will reinforce our efforts in non-financial domains with a particular focus on materiality—priority management themes from an ESG perspective—and disclose information in a highly transparent manner with the aim of achieving continuous inclusion in ESG indices, which are used to determine ESG investments. We believe that this inclusion in ESG indices will lead to the fostering of employees’ engagement in the Company and increase their motivation, in addition to earning the trust of society and capital markets.

Materiality under the Mid-term Management Plan 2025 was revised on the basis of material issues uncovered in fiscal 2019 under the Mid-term Management Plan 2020. We reviewed the materiality in light of changes to the demand from the business environment and society, through workshops held for managers of growth business under the Mid-term Management Plan 2025 and dialogues with external experts.

**S** For more details, please refer to “Priority Management Themes from an ESG Perspective—Materiality” on page 8 of *Sustainability Report 2021*.

## Transformation of Culture and How We Work

We will aim to become a company that pursues innovation and brings together diverse human resources under the NEC Way as well as a company that is the preferred choice of employees. To realize an engagement score of 50%, we will transform people and culture, establish a business infrastructure, and create a shared vision toward realizing a brighter future with customers.

### 1. Transformation of People and Culture

We will proceed with the transformation of people and culture by emphasizing our key initiatives of accelerating diversity, which serves as an inspiration for innovation, and advancing workstyle reforms in order to provide a better workplace environment to a diverse array of individuals.

To accelerate diversity, we will specifically focus on actively recruiting and systematically developing diverse talent, including female and non-Japanese employees. Our offices, which were previously used as our main work space, will now be utilized as a communication hub and setting for the joint creation of innovation through the further refinement of our NEC Digital Workplace and the realization of location-free productivity improvements. Through such measures, we will reform workstyles and mindsets with the aim of improving our engagement score.

We will also engage in job-based management, which aims to fill each position with the right person for the job at the right time and place, and human resource development that emphasizes the cultivation of digital talent.

### 2. Establishment of Business Infrastructure

Contrary to our previous structure through which various initiatives were carried out by our respective departments, our new Transformation Office has been established under the direct control of the CEO. The Transformation Office will be tasked with managing business process reforms, financial system reforms, and the Group-wide IT system, while serving as the nucleus for our promotion of reforms in the three domains of business processes, systems, and IT system.

In regard to our IT system, we will proceed with cloud transformation of the NEC Group's core system, redesign business processes and systems in unison with IT, and revamp our data-driven management.

### 3. Creation of a Shared Vision for a Brighter Future with Customers

As a market leader, we believe that it is our responsibility to create a shared vision for a brighter future with customers by actively communicating our future vision to customers and society as a whole. By doing so, we will look to create new value.

In addition, our Thought Leadership activities will proceed in full swing from fiscal 2022 toward the realization of an even better future by developing a common outlook toward the NEC 2030VISION based on our social/market insights and an in-depth awareness of our technology.

While strengthening our general research capabilities, which constitute the core of our dissemination/communication activities, we will establish an advisory board that draws on the insights of external experts and promote social change.

#### Engagement Score

FY2026 Target

**50%\***  
(FY2021 25%)

\* Based on the Kincentric Survey of a 50% score, which is a Tier 1 level and in the global top 25 percentile

#### Active Participation of Diverse Talent

FY2026 Target

Women/Non-Japanese Officers

**20%\***

Women managers

**20%\***

\* Target values are for NEC HQ alone.

#### Initiatives under the new MTP

- Cloud transition of Companywide mission-critical systems (HR, procurement, etc.)
- Integrated redesign of processes, systems, and IT
- Enhancement of data-driven management (AI utilization, data structure optimization)

#### Full-scale launch of Thought Leadership activities

- Refine our future vision based on social/market insights
- Dissemination of social system innovations
- Strengthen general research capability and collaborate with other thought leaders



## CFO Message

Maximizing Long-Term Profit,  
Optimizing Short-Term Profit,  
and Increasing Corporate Value  
through Social Contribution

**Osamu Fujikawa**  
Executive Vice President,  
CFO (Chief Financial Officer)

Despite the impact of the COVID-19 pandemic in fiscal 2021, the final year of the Mid-term Management Plan 2020, we were able to limit the year-on-year drop in revenue to 3.3%, thanks to full-scale shipments of 5G base stations and capturing demand under the “new normal.” Turning to operating profit, we were also able to meet the target set in the Mid-term Management Plan 2020 for operating profit ratio, 5.0%. This is a result of reducing unprofitable projects, which improved profitability, and special cost-cutting measures implemented in response to sudden changes in the operating environment. Net profit attributable to owners of the parent amounted to ¥149.6 billion, a record high for the second year in a row, mainly due to an increase in operating profit as well as a decrease in tax expenses. In light of these results, we paid an annual dividend to shareholders totaling ¥90 per share, reflecting a ¥10 increase to the ¥40 per share year-end dividend announced at the beginning of the fiscal year, to ¥50 per share.

Free cash flow decreased ¥25.4 billion, to ¥152.4 billion. However, if we take into account a cash outflow of approximately ¥239.0 billion, corresponding to the acquisition of the Swiss-based Avaloq Group AG at the end of December 2020, this result shows an improved ability to generate cash.

## Financial Strategy

The Mid-term Management Plan 2025, announced in May 2021, utilizes a profit cycle that takes advantage of cash generated on a continuous basis through business activities as a resource for growth. With proper allocation, we will maximize long-term profit and optimize short-term profit. These profits are then put toward improving corporate value.

We have also positioned EBITDA and ROIC as indicators to measure achievement. For EBITDA, which measures our ability to generate cash, our target is set at an annual average growth rate of 9%, and for ROIC, which measures capital efficiency, we have set a target of 6.5% for fiscal 2026.

Moreover, if we are to win against the competition on the global stage, we cannot just retain funds needed for investment—we must also reinforce the non-financial measurement methodologies that will ensure the sustainable growth of both Company and society. As a company that creates social value, NEC bears a certain responsibility to contribute to society, so it is highly important that, while we deliver results from our business activities, we must also make contributions to society going forward. In the same vein, we will also invest in ESG and other non-financial areas. The effects of reinforcing non-financial measurement methodologies may not become immediately apparent in numerical form, but I believe that fulfilling this responsibility will lead to greater corporate value for NEC in the long run.

## Generating Cash

We are aiming for a cumulative ¥1.3 trillion in cash flow from operating activities from fiscal 2022 to fiscal 2026. To avoid opportunity loss, we believe that we should have an amount of cash available that will allow us to make optimal investments at any time.

Here, I will talk about cash generation in terms of growth businesses, improving profitability of base businesses, improving capital efficiency, and asset monetization, and will save the bulk of my discussion on growth businesses for when I talk about our investment strategy.

### Improving Profitability of Base Businesses

Over the course of the previous mid-term management plan, we reviewed our business portfolio and set aside generated cash for NEC's core businesses. However, there is still work to be done regarding low-profit businesses. To determine which businesses should continue, we have set an operating profit ratio target for each business of 7%. When businesses cannot reach this target, our first step will be to try to transform them so that they are able to achieve an operating profit ratio of 7% or higher. If a business cannot reach this hurdle rate by fiscal 2026, we might have to make some pertinent decisions that include reorganizing our business portfolio. But first, we will set goals and timelines in order to raise overall profitability.

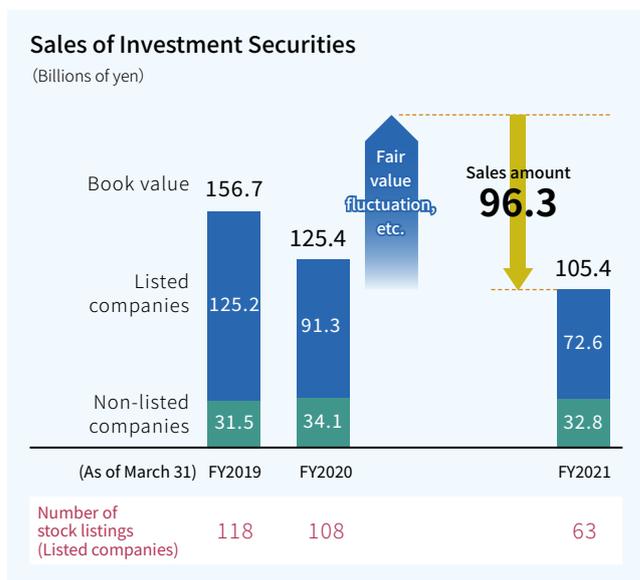
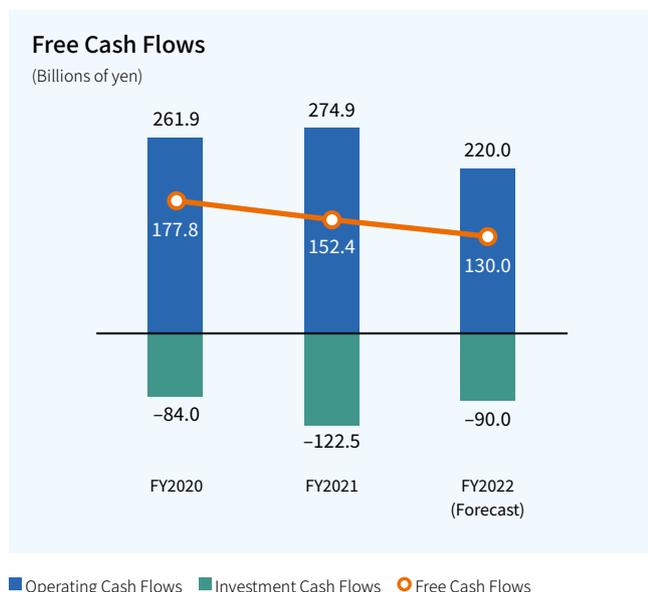
### Improving Asset Efficiency and Awareness of Capital Efficiency

Since the previous mid-term management plan, we have been engaged in activities to improve our cash conversion cycle (CCC) with a view toward improving asset efficiency. Thanks to these activities, we reduced our CCC by 12 days over a period of two years, from 72 days as of March 31, 2019 to 60 days as of March 31, 2021.

Although ROIC has been set as a Companywide indicator in the current mid-term management plan, we believe that ROIC is an indicator well suited to some individual businesses while not very well suited to others. Take growth businesses, for example. If we place too much emphasis on ROIC, we lose our ability to invest and miss out on business opportunities as a result. We will therefore apply ROIC to businesses that emphasize capital efficiency in their operations, starting with those with stable profits, and gradually expand its application as an indicator throughout the Company from there.

### Monetizing Assets

In April 2019, we set guidelines for eliminating cross-shareholdings, and in fiscal 2021 we sold shares in 45 stock listings worth ¥96.3 billion. Shares are only held when the Board of Directors accepts the rationale for holding the shares, having clarified their strategic value and considered the returns from a capital cost perspective. In addition to cross-shareholdings, we are also actively monetizing available-for-sale non-assets.



## Capital Allocation

### Ensuring a Sound Financial Structure

We will invest strategic expenses under the Mid-term Management Plan 2025 to enhance corporate value. In order to keep investing strategic funds we need financial discipline. Thanks to efforts made to date, our financial structure is fairly sound, and we have improved both our ratio of equity attributable to owners of the parent (owner's equity ratio) and our net debt-to-equity ratio. We will continue to invest in growth areas while ensuring financial soundness, using our financial structure as of the end of March 2021, which received a one-notch upgrade by credit rating agencies, as a guideline for maintaining our financial structure over the medium term.

### Shareholder Returns

We have a policy of providing stable dividends and have had a target payout ratio of about 30% for the past five years. We believe that making investments to achieve growth and increasing profitability will increase corporate value and lead to greater returns to shareholders.

### Investing Strategic Expenses for Realizing Growth

Over the course of the Mid-term Management Plan 2025, we intend to make growth investments within cash flows from operating activities and thereby expand corporate value. In addition to investing in growth businesses and improving the profitability of existing businesses, we will also actively invest in business infrastructure and human resources to support them. This is akin to investing within the scope of financial soundness.

With digital government and digital finance, we will combine the software and SaaS platforms of three European companies acquired during the previous mid-term management plan—the UK-based NEC Software Solutions UK (formerly Northgate Public Services), the Denmark-based KMD, and the Swiss-based Avaloq—with NEC's technology, which includes biometrics and AI, its engineering capabilities, and its customer base, and pursue synergies.

As for Global 5G, our goal is to achieve a top position, with a 20% market share in the Open RAN market in 2030. This goal includes expanding our scope in the Japanese market from a base station hardware provider to a software solutions provider. By 2025, we will shift our profit focus from hardware

licensing to software licensing and provide service-based solutions to achieve a high level of profitability. To increase our global market share, we will invest strategic expenses into enhancing our development and sales structure.

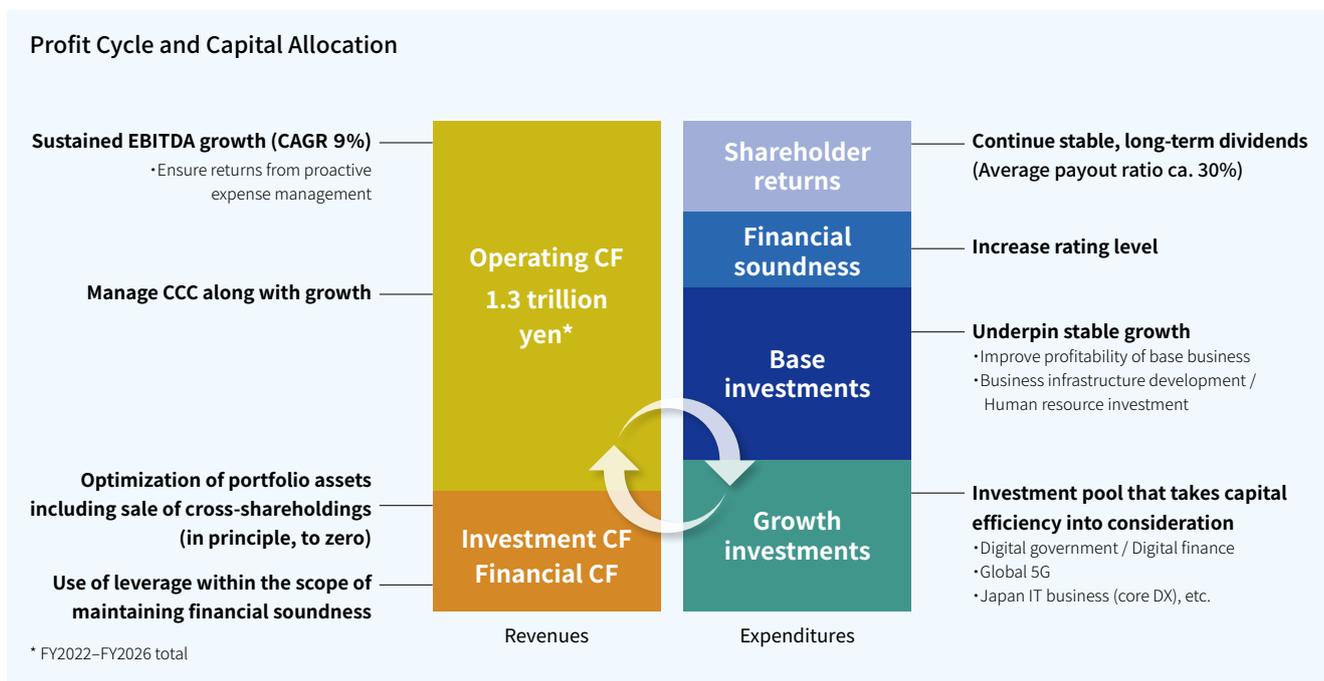
For Core DX, we will utilize ABeam Consulting's resources to capture more upstream customer demand, and expand the value we can provide by taking a consistent approach from consulting to delivery. We also plan to improve profitability by developing platforms that draw from NEC's technological strengths to act as common infrastructures that offer value-providing services. Furthermore, we will bolster strategic collaborations with hyperscalers and offer a hybrid environment via our own high-security cloud. We will also invest strategic expenses toward the transition of this business model and for developing ICT common infrastructures.

Turning to the Company's business infrastructure development, we will work toward increasing the level of freedom in management not only by establishing an IT base but also by simplifying business processes across the Group and accelerating the shift toward data-driven management.

As for human resources, we will work to ensure diversity, an important source of innovation, and continue making workstyle reforms to improve productivity. We will also invest whatever it takes to foster the next generation of leaders, who will be the ones to drive future growth. These moves will help grow the business going forward and lead us to greater returns.

By reaping the benefits of focused cash investments in areas with higher growth potential, and choosing optimal investments with optimal timing, we will generate even more cash to invest toward our next stage of growth and establish a cycle that will maximize our corporate value.

The basic policy behind capital allocation is to balance growth investments, shareholder returns, and a sound financial structure in order to execute a business strategy that will meet market expectations and an underlying strategy to support the business strategy by maintaining and improving financial soundness.



## To Our Stakeholders

I have served on the front lines in the business of providing a variety of IT-related services and have helped commercialize and launch NEC's superior technology both in Japan and overseas. I know from this experience that the roles of a CFO are to ascertain the company's business, manage investments aimed at future growth, understand financial indicators—not just the numbers, but also the conditions surrounding them—and provide timely decision-making and operational support. And, in order to maximize the assets of a company and realize greater business growth, it is also important to develop human resources who can understand both the business side and the finance side, and as CFO, I would like to help foster such human resources.

Looking at NEC as a whole, I see the potential for great things, made possible by the abilities of the Company's

people. The Company has a great many talented and highly skilled people, and these people work closely with the many people who have recently joined NEC, who are also talented and skilled, to produce outstanding things day after day while being respectful of one another. These people are a true asset to NEC. As a member of management, I will utilize these assets and work with them to create greater value. There are still challenges ahead, but now that we have a sound financial base and the ability to make new investments, we will create a virtuous cycle in which the people who work for NEC do so with confidence and pride, and produce results. Going forward, we will leverage this virtuous cycle to increase corporate value.

# R&D and Business Development

At NEC, we are aggregating the functions necessary for expediting the commercialization process and upgrading our R&D capabilities, in order to enhance results through co-creation with external business partners, realize faster commercialization, and generate technological synergies throughout the Group. With a focus on human resources, co-creation, synergy, and commercialization, we will continue to develop differentiated technologies and commercialize them in a timely manner, thereby steering the growth of NEC forward.

## Major Areas of Research

Creating Social Value with Cutting-edge AI and ICT Platforms



## Global R&D Network

### NEC Laboratories America

Development of cutting-edge core technologies



### NEC Laboratories Europe

Creation of solutions and technology through EU projects and implementation activities



### NEC's Four Domestic Research Laboratories

- Data Science Research Laboratories
- Biometrics Research Laboratories
- Secure System Research Laboratories
- System Platform Research Laboratories

Take the central role in NEC R&D, focusing on AI (recognition, analysis), security, ICT platforms, and other cutting-edge technologies (quantum computing and devices, etc.)



### Israel Research Center

Rapid creation of solutions that combine NEC's technology with advances in technology from outside the Group, leveraging the world's largest source of start-ups



### NEC Laboratories India

Creation of core technologies to address the challenges of emerging countries



### NEC Laboratories China

AI research and standardization



### NEC Laboratories Singapore

Co-creation of innovative solutions with customers and partners, mainly for developed countries



 Please refer to “AI Utilization with Respect for Human Rights as the Highest Priority” on page 61 for details on our policies regarding AI and human rights.

## R&D Competitiveness

### AI

- Ranked 7th in terms of the number of accepted papers at prestigious international academic conferences on machine learning\*1; ranked a strong 2nd after IBM among B2B enterprises; and ranked 1st among Japanese companies
- Similarly ranked among the top companies in the world for image- and video-related AI, retaining its position as the No. 1 company in Japan

\*1 NeurIPS, ICML, KDD, ECML-PKDD, ICDM

\*2 AI General: IJCAI, AAAI; image recognition systems: ICCV, ECCV, CVPR, etc.

#### Ranking among Companies for Accepted Papers at Prestigious International Conferences on Machine Learning

Rank	Company	No. of Accepted Papers
1	Microsoft	994
2	IBM	831
3	Google	830
4	Yahoo	336
5	DeepMind	267
6	Facebook	205
7	NEC	184
8	Alibaba	150
9	Amazon	132
10	Tencent	126

Source: Internal survey 2000–2020

### Network / Security\*

- A number of papers accepted at prestigious academic conferences on cyber security →Awarded CRYPTO 2019 Best Paper Award
- A number of papers accepted continuously at prestigious academic conferences on optical communication for over 30 consecutive years

\* Security: ACM CCS, Eurocrypt, IEEE S&P, etc.  
Network: OFC/ECOC, etc.

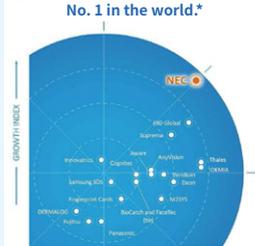
### Patents\*

- Ranked as a “Top 100 Global Innovator” for the 10th consecutive year in a global survey of the impact of corporate patents (2021)
- Ranked 5th in the world in terms of the number of AI-related patent applications (2019)
- No. 1 in terms of domestic patent capability in facial authentication (2019)

\* Top 100: <https://clarivate.com/top-100-innovators/>  
Number of AI patents: WIPO/WIPO Technology Trends 2019 - Artificial Intelligence  
Facial authentication: Patent Result Press Release (2019) (Source)

### An Example of NEC’s Competitiveness: Biometrics

NEC’s biometric solutions are ranked **No. 1 in the world\***



\* Latest survey from research company Frost & Sullivan

No. 1 in the World in Biometric Technology



Fingerprint Identification

**No. 1**

 × 8



Facial Authentication

**No. 1**

 × 6



Iris Recognition

**No. 1**

 × 2

## R&D Results

- 

**AI-powered Drug Discovery (graph-based relational learning)**  
Began trials of a cancer vaccine developed using AI in collaboration with biotech company Transgene



**Optical Fiber Sensing**  
Began trials with Verizon. Successfully obtained traffic data using existing optical fiber networks as sensors



**High Bandwidth Optical Transport Systems**  
Developed technology of transport bandwidth expansion of optical submarine cable system. On average, 25% of bandwidth expansion was verified over the course of 10,000km

- 

**Newborn Children Fingerprint Identification**  
Recognized newborn fingerprints two hours after birth with 99.7% accuracy. Verified results in the Republic of Kenya together with Nagasaki University



**Invariant Analysis, etc.**  
Analyzed a variety of data from satellites, etc., with AI in partnership with Lockheed Martin Space in the satellite/outer space field



**AI-driven Endoscopic Image Analysis**  
Developed AI technology for endoscopic image analysis to detect neoplasia in patients with Barrett’s esophagus, becoming the first technology of its kind to meet CE mark labeling requirements

## Intellectual Property (IP) Strategy

**Selected as a “Top 100 Global Innovator\*” for the 10th Consecutive Year Based on IP**

**Building an IP Network That Takes Advantage of Global Business While Ensuring Competitive R&D**

Build a strong IP network by developing a group of patents necessary to conduct overseas business in line with our business plan, as opposed to relying on our core group of patents

**Enhancing IP Business and 5G Standard Patents**

Focus on creating new businesses that utilize intellectual property, accelerate R&D co-creation, and strengthen cooperation with partners, which includes leveraging intellectual property

\* <https://clarivate.com/top-100-innovators/>

Genealogy of Strengths

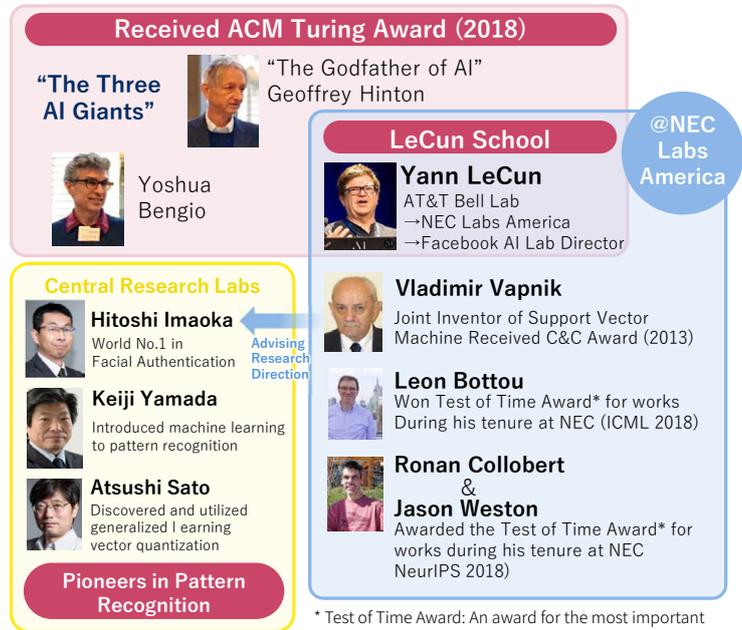
Technological strength is born from "the bonds between human talent."

- The bonds between human talent surpass time and location, creating superior technology.
- The following key players involved in the development of AI over the course of its history form the genealogy of NEC Laboratories'

AI research:

- Yann LeCun
- Vladimir Vapnik
- Leon Bottou
- Hitoshi Imaoka

Photograph of Yann LeCun by J r my Barande, "Yann LeCun (41208595340)"; photographs of Geoff Hinton & Yoshua Bengio by Steve Jurvetson, "Deep Thinkers on Deep Learning"; licenses for all three photographs are based on CC BY 2.0.



Acquiring & Cultivating Talent to Continuously Strengthen Our Genealogy

Continuously investing in our talent via fair evaluations, the creation of an environment where everyone strives for their best

In 2019, we introduced the "Selective Compensation Program for Professional Researchers" to attract top young researchers.

- Considering the market value of researchers, we did not cap their remuneration.
- The program began in 2019 in Japan. We also offered the program to applicable new graduates during recruitment activities in the U.S.

Young researchers participating in the program



Masafumi Oyamada

Riki Eto

Continuously strengthening our acquisition of excellent talent from overseas, including from India

- We have been engaging in recruitment activities at India's prestigious institute IIT for the last eight years, and have successfully recruited 39 researchers.
- Nine percent of research personnel at our Japanese labs are foreign nationals, and we continue to strengthen our excellent talent acquisition from around the world.

Researchers from IIT



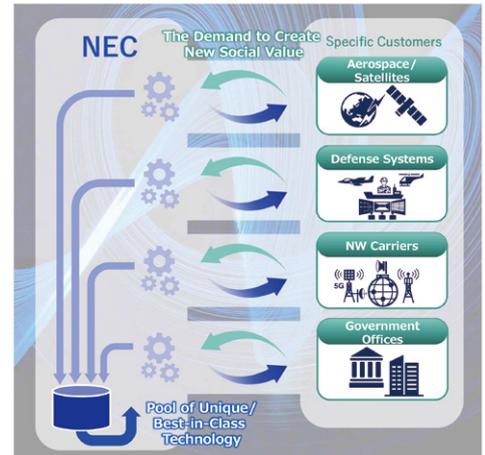
Kanishka Khandelwal

Prakash Chaki

## Business Creation Initiative

### Companywide Technology Synergies to Create Sources of New Strength

- Utilize the unique or best-in-class technology we have offered over many years to specific customers in social infrastructure fields to enhance other business domains
- Horizontal deployment of technology across business domains

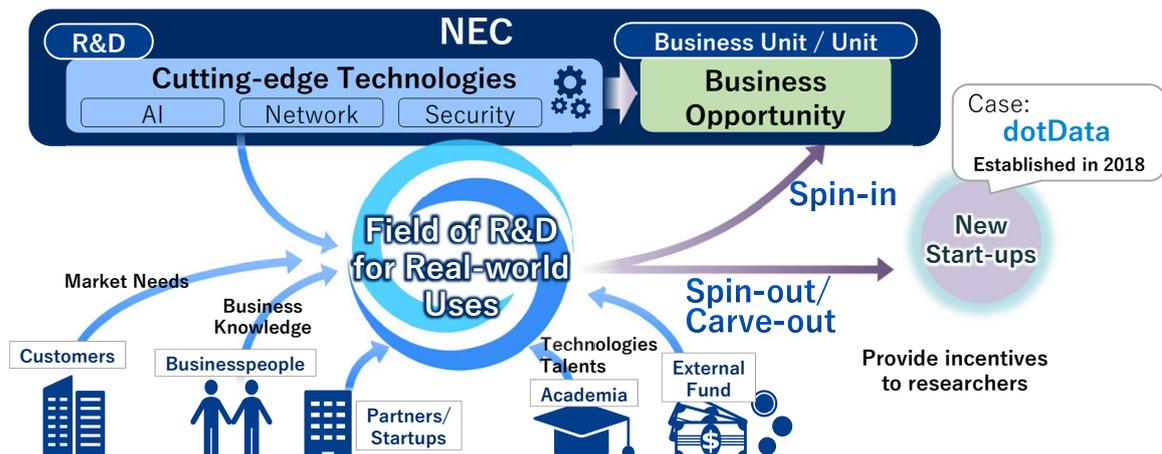


### Examples of Business Development Promoted through Open Innovation

NEC X, Inc.	<b>Business Incubator That Takes Advantage of Silicon Valley’s Ecosystem</b> Since its establishment in 2018, three out of its 23 projects have become established companies (Inguo, GAZIRU, and Metabob).
dotData	<b>A Carve-out Company Specializing in Data Analysis Process Automation Established by World-class AI Researchers</b> Highly capable products, peripheral businesses rooted in these products, and strong team creation
AI-driven Drug Discovery	<b>Cases of Global Innovation in Drug Discovery</b> Investment in, acquisition of, and joint clinical trials with biotechnology companies • Investment in BostonGene (U.S.) • Start of clinical trials with Transgene (France) • Joint development with VAXIMM (Switzerland) • Acquisition of Oncolmunity (Norway)
CropScope Agricultural Support Solutions	<b>Strategic Partnerships in the Food Processing Industry and Support for Producers Utilizing AI Technology and Ecosystems</b> Worked with local manufacturers and producers through a strategic partnership with KAGOME to build a global ecosystem
Smart Wellness	<b>Working with Leading Venture Capital Companies and Utilizing Crowdfunding to Verify Consumer Needs</b> Engaged in open innovation targeting consumers through unique combinations of the capabilities of NEC, FINC, and Makuake
BIRD INITIATIVE	<b>A Joint Venture with Six Participants from Industry, Finance, and Academia for Collaborative R&amp;D</b> An unprecedented collaborative R&D business launched in Japan by six participants from different fields

### Promotion of Eco System-type R&D

- Provide NEC’s technologies externally at an early phase to involve external partners and speed up R&D
- Open innovation of inbound/outbound integration



## Roundtable: Creating Social Value through NEC's R&D



### Terumi Umematsu

Area of responsibility: Modeling human internal states (psychological and neurological) using biological signal analysis  
Visiting researcher at the Massachusetts Institute of Technology (U.S.) from 2017 to 2019

### Masafumi Oyamada

Area of responsibility: R&D on data integration and machine learning systems  
Principal researcher (alumnus of the first iteration of the Selective Compensation Program for Professional Researchers)

### Yusuke Akamatsu

Area of responsibility: R&D related to biomedical signal processing  
Joined the Company under the Selective Compensation Program for Professional Researchers

## The Strengths and Merits of R&D at NEC, from a Researcher's Perspective

**Judging by your day-to-day R&D activities and your experience to date, what would you say are the characteristics of NEC?**

**Oyamada** Speaking broadly, NEC is quite solid when it comes to basic research, and they apply this research to the real world, and these are both appealing points. Speaking of research, when it comes to my area of databases, machine learning, AI, and other similar fields, NEC is one of the best in the world. They are very aware of getting the basics right, and this is something that has been historically well-nurtured among researchers in Japan, of course, but also in North America and Europe. This has made the level of researchers quite high and has increased the appeal of NEC as a potential workplace for many top-level students.

NEC has customers in various fields both in Japan and abroad, so I think another appealing point is being able to look at a cross-section of data, discover universal issues, and produce research results to tackle those issues.

**Umematsu** I think one strength is that we get to feel a sense of responsibility for our research, from the beginning all the way to the end, when both we and the business divisions send our research out as business. I would also have to say that another major strength is NEC's connections to areas outside of Japan, universities, and other companies. Also, when I want to embark on a theme of research, the people at NEC are very sincere with their inquiries regarding it. If what you propose is logical and shows promise, you can take charge of your research on your own. This is a great amount of freedom. I can do the things I really want to do, and I can work with a dream in mind and see my efforts come to fruition in society. This is the driving force that gets me to do my best every day.

**Do you come across any obstacles when you take on challenges?**

**Umematsu** Even when you try but fail, people encourage you to try your best next time. I think this is a really positive thing. I am always taking on challenges, and my hope is that people like Mr. Akamatsu will see me try and fall short and realize that this is acceptable—and will feel like making an attempt themselves.

**Akamatsu** That's right. When I see someone senior to me with as much passion as Ms. Umematsu, I feel like I'm in a place that welcomes those who like taking on a challenge.

**Mr. Akamatsu, you joined the Company in fiscal 2021, but what drew your attention to NEC as a student?**

**Akamatsu** I was drawn in by NEC's unique social solutions, that is, the way they would work with other companies to identify issues and then apply technology to solve the issues. For me, this is what separates NEC's research laboratory from the rest. My goal was to be useful to the world and have people benefit from things I created, so I chose a company that would allow me to achieve this goal and see the fruits of my efforts in society.

Another characteristic of NEC that I have noticed since joining is that there are people working in a variety of fields, and being around so many different professionals, being able to ask them for advice and conduct research together with them is definitely appealing.

**Oyamada** One of the people who laid the foundation for deep learning belonged to NEC Laboratories America, and I think the reason that NEC is so well known among students as a research institution is because of its excellent and long-standing reputation.

### Is there a divide between your image of NEC before joining and how you see it now?

**Akamatsu** The biggest gap for me was that I had imagined a place where you conduct research focused on creating technology—either developing technology or improving existing technology—but in reality, I have had many opportunities to think in terms of business. One example is an approach to research I learned regarding patents. I learned that, even if the patents and technology didn't exist, we could discuss hypotheticals with someone from one of the business divisions and begin research from there.

**Oyamada** About seven years ago, we started promoting the idea of thinking in terms of business needs. I think this has become part of the Company's culture.

**Umematsu** There are more and more opportunities for us to communicate research themes to the entire Company. This is partly due to communication reforms and this can lead to good discussions at the grassroots level where people can confirm as to whether such-and-such is possible and exchange with each other.

**Oyamada** Things are not in vertical silos and there is no real sense of "territory," so there are lots of discussions along the line of "why don't we work together to do this?" or "why don't we partner up to do that?" I think this sense of research as a holistic effort is something quite unique.

### There has been mention of in-house collaboration, but is there much collaboration with research laboratories abroad?

**Umematsu** My impression is that there is quite a lot. There is no kind of threshold for us to pass through, and because of this, it is getting easier and easier to contact other researchers and have casual interactions to get information. The only difference is location, but to me, it only seems like the distance between the head office and the Tamagawa Plant. There has been a recent emphasis on speed, meaning that if it is faster to do something using assets from outside of the Company, versus sticking to in-house assets, we should choose the faster way. I feel like this is a change that has taken place over the last five years. It was not like that when we joined NEC, right?

**Oyamada** You're right. I feel like there used to be a belief that everything needed to be made by us.

### What sparked this change?

**Umematsu** I think we have realized that in a time when there are complex problems all across society that need to be resolved—the SDGs are a good example—NEC cannot resolve them on its own. The Company mindset has changed to one that is more open and draws from outside sources to commercialize and contribute to society. I think the sense of urgency and a feeling of impending challenge have moved the Company in a more flexible direction.

**Oyamada** There is a sense of urgency, no doubt about it. Academic conferences are held online, software is becoming more open sourced, and the things that happen abroad can

reach us in real time. If your research capabilities in a certain technological field are not up to par with another group, that gap is apparent for all to see. Therefore, if things are opening up, we are best off taking advantage of the benefits.

**Umematsu** I was stationed abroad about two years ago, and the most shocking difference for me was that researchers were also entrepreneurs, business owners and managers, and they took care of people while establishing a vision for research. I was astonished to see these superhuman people who seemed to be able to do it all. I felt the difference in power. But with that shock out of the way, I feel that with NEC's lineup of a variety of professionals, we should all work to create something grand, instead of only trying to do things on our own.

**Oyamada** I had a similar experience about four years ago, working with people from top universities abroad, but I felt jealous every day. I felt disappointment in myself, seeing them organically flow between research, capital, and business. It made me want to play a bigger role in society. Speaking to that feeling, over these past three years NEC has figured out a process for researchers to commercialize their research outcomes. Also, the Company has created NEC Growth Careers, a horizontal work transfer system. While I think there is still a ways to go, the threshold is getting lower, and opportunities are increasing across the board.

**Umematsu** There are some examples of spin-out companies coming out of research laboratories, and having the frame of mind to step out of your comfort zone is a huge change psychologically and in many other ways.

### What are your goals five to 10 years down the line?

**Akamatsu** First, I would like to focus on gaining some expertise. After that, I would like to propose my research, acquire a budget, and then work to be able to do something in another field, such as marketing, since I hope to build myself into one of these multi-faceted people we have been talking about.

**Umematsu** I would like to create solutions that are, of course, efficient and safe, but I also want them to be compassionate and close to the hearts of the people who utilize them in the end. To realize such a lofty goal, I hope to increase my own appeal, not just in terms of skills and technical capabilities, but also as a person, so that people will want to work with me and put their faith in me.

**Oyamada** Now that I am working on a business that I started myself, I would like to get it on track. Customers say that our service is very convenient, but convenience does not necessarily guarantee profit. I would like to solve this dilemma and create a system that will keep providing value in a sustainable way, both in terms of technology and business.

# NEC, for Those Who Seek Challenge

Viewing people as its greatest management resource, NEC has been investing in its personnel by transforming systems and improving environments in ways that maximize the capabilities of its people and organization. To be an employer of choice that is always the preferred option not only of markets and customers but also of workers, we have been reforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow and receives fair evaluations. Moreover, we are creating an atmosphere in which proactive employees can shine. The aforementioned reforms are based on our Human Resources (HR) Policy, “NEC, for those who seek challenge,” established in 2019.



HR policies for developing highly capable people and teams

**NEC, for those who seek challenge.**

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**Diverse opportunities for challenge**  
Our guiding principle is right time, right position, right person. Diverse opportunities for challenge are provided, which employees can take advantage of to flexibly build their own careers.

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**Unlimited growth opportunities**  
If your outlook is ambitious, you can continue improving your skills and growing as a professional.

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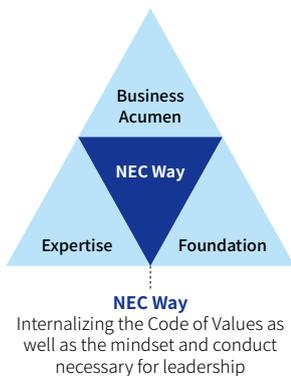
**Fair appraisal and progressive rewards :**  
Performance is evaluated fairly and rewarded with the appropriate pay and subsequent growth opportunities and positions.

---

**Work environments and culture that bring out your best**  
Systems support good work environments and culture in addition to a fulfilling quality of life, allowing employees to dedicate themselves to taking on challenges.

## Initiatives to Train Human Resources

### Policy for Training Human Resources



- Business Acumen**  
Understanding NEC's business and movements in the global market and learning about the greater business environment, trends, and strategies in order to apply them to strategies and measures in one's area of responsibility
- Foundation**  
Acquiring a common set of capabilities required of a professional
- Expertise**  
Leading business growth by planning and executing measures that have never been tried before by learning and applying the latest trends and practices in one's specialized field

### Measures

We are striving to instill a business mindset and foster expertise, as well as the ability to drive transformation in each and every employee. Moreover, we aim to increase employees' ability to manage and take ownership while enhancing individual and team capabilities.

**1**

**Enhance human and organizational management capabilities to succeed on the global stage**

1. Boost the skills of those who manage people
2. Ramp up development of the next generation of leaders

**2**

**Pursue professional development to foster a successful business transformation**

1. Make necessary adjustments in ways of thinking and behavior to adapt to the digital shift
2. Reskill employees

**3**

**Enhance the mindset and skills that form the basis for stronger teams**

1. Reinforce implementation of the Code of Values
2. Instill the ability to leverage diversity (Facilitation, team building, diversity management)

+

**Support Learning and Career Autonomy with Digital Methods**

Provide career opportunities and opportunities for personal development

## Human Resource Training Platform



## Cultural Transformation and Inclusion and Diversity

### Cultural Transformation

- Code of Values  
The Code of Values embodies the values and behaviors that all employees must demonstrate every day.
- Employee surveys conducted every quarter  
Check the progress of measures and use today’s feedback to effect tomorrow

### Code of Values

Look outward. See the future.  
Think simply. Display clear strategies.  
Be passionate. Follow through to the end.  
Move fast. Never miss an opportunity.  
Encourage openness. Stimulate the growth of all.

### Active Participation of a Wide Range of Talented People: Diversity and Inclusion

We believe that by creating a place where people of all genders, generations, and backgrounds can actively participate—a place where they can share and build upon each other’s strengths—we can create a new world. NEC is working to bring together people with different talents from all over the world to create opportunities to maximize performance and foster creativity. This will ensure that NEC continues its development going forward.

### FY2020 Target

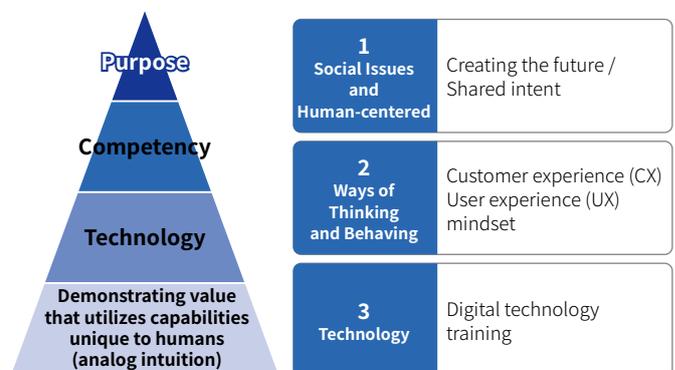
Female/Non-Japanese officers	Female managers
20%*	20%*

\* Target values are for NEC HQ alone.

For more details, please refer to the section “Inclusion and Diversity” on page 53 of *Sustainability Report 2021*.

## Talent Management: Human Resources Training

In order to realize NEC’s aim for a world that embraces DX, we absolutely must enhance the skills and talents of our human resources. We are also working to enhance our mid-level managers, as the human resources who manage people will play a very important role when it comes to increasing the level of communication.



### Specific Initiatives

- Training the next generation of leaders
- Training human resources involved with DX

## Utilizing the Right Person at the Right Place and the Right Time with Job-based Management

### Specific Initiatives

- NEC Growth Careers
- Increase in mid-career hiring and referral recruitment
- Establishment of NEC Life Career  
Services that help each and every employee develop their careers while promoting reskilling and updating their knowledge

- Active efforts to appoint young people and top-notch human resources from outside the Company through a new system that provides compensation commensurate with job duties  
Examples: Established post for research fellow, with no upper limit on compensation  
Established Selective Compensation Program for Professional Researchers, with no upper limit on compensation for non-managerial employees in an effort to acquire and develop top-level R&D talent

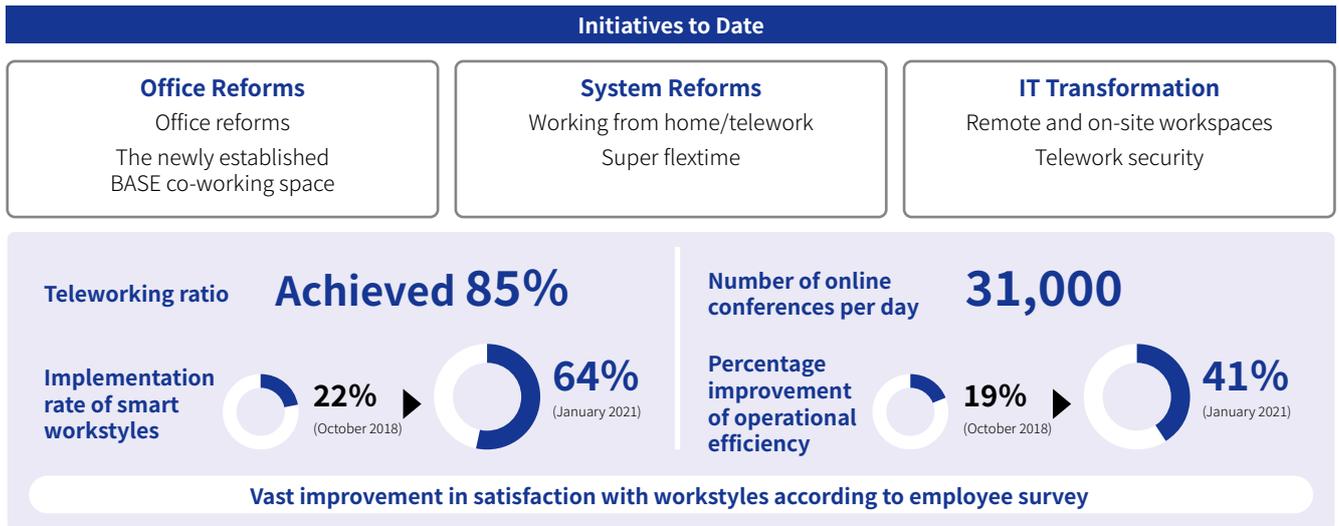
For more details, please refer to the section “Human Resource Development and Training” on page 58 of *Sustainability Report 2021*.

# NEC, for Those Who Seek Challenge

## Workstyle and Office Reforms with Smart Work 2.0

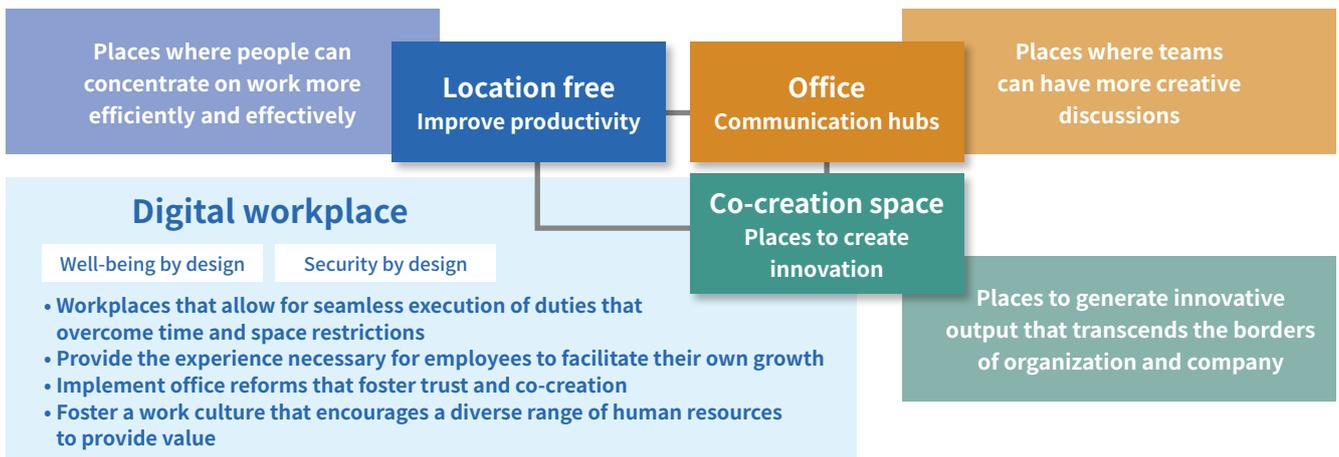
### Moving Our Focus from Ease of Work to Improving Job Satisfaction

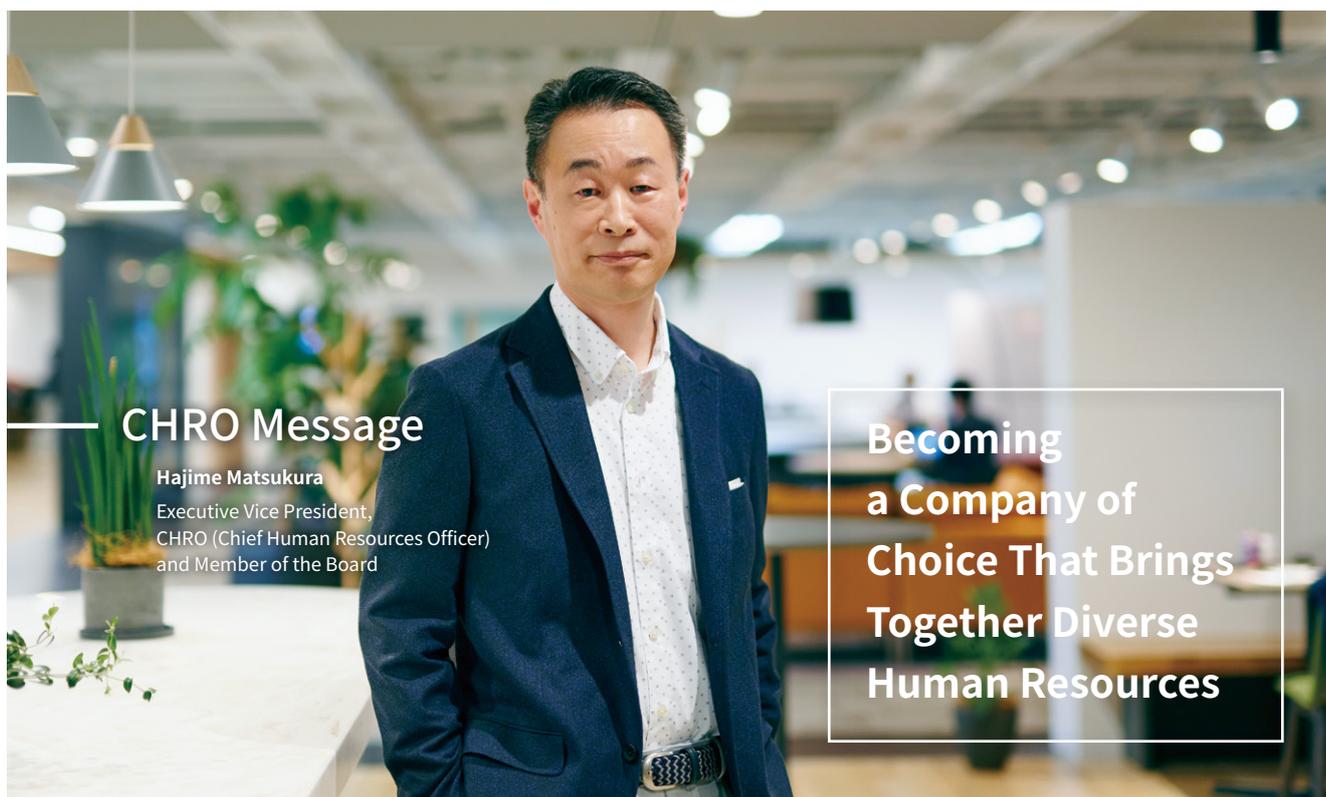
We are working to implement a model that focuses on creating job satisfaction. This model loops four elements—trust, challenge, growth, and pride—and provides a motivating work environment where it is possible for employees to design their careers autonomously.



### Office Reforms

Establish conditions that provide the optimal place and optimal time in order to elicit optimum performance  
 Improve quality and quantity within work experience loop





## CHRO Message

**Hajime Matsukura**  
Executive Vice President,  
CHRO (Chief Human Resources Officer)  
and Member of the Board

**Becoming  
a Company of  
Choice That Brings  
Together Diverse  
Human Resources**

### **Continuing the drive forward to embrace the vision “NEC, for those who seek challenge.”**

Why have we made such earnest efforts to transform our human resources and corporate culture? Over the past decade, there have been times when we fell short of the goals of our mid-term management plan and were unable to achieve growth. One of the major reasons for this shortfall was an emphasis on a defensive stance and a lack of ability to execute. Recognizing this, we have been working to “restructure our execution capabilities,” which is one of the management strategies laid out in the Mid-term Management Plan 2020. The launch of Project RISE—an initiative aimed at transforming human resources and our corporate culture across the Company—sent a strong message from those at the helm, saying simply “the top management team ourselves will change.” More importantly, though, as we put this message into action, it is creating a shift in the Company culture, making it known that these efforts toward change are sincere.

However, people tend to return to their old ways. Unless we keep our foot on the accelerator and keep going forward, we will not be able to improve our ability to adapt to the drastically changing external landscape, and our organization will be left behind on the global stage. To maintain our momentum, we have set a target under the Mid-term Management Plan 2025 to achieve an engagement score of 50%, in line with our goal to “transform ourselves into a company that pursues innovation and brings together diverse people under the NEC Way” and to become an “employer of choice.” To achieve this goal, every employee needs to transform their manner of thinking and their behavior, and to take action that will lead to changes in the workplace as a whole. To that end, we have established a human resources policy titled “NEC, for those who seek challenge.” To carry out this policy, members of top management deliver this message in their own

words at monthly town hall meetings. In addition, members of management hear the voices of employees through employee surveys conducted once every three months. These efforts help to bridge the gap between management and employees and lead to a more open, constructive culture.

So, the ideal human resources are those who act proactively to uphold the Code of Values embedded in the NEC Way. We are trying to improve our day-to-day activities by infusing the Code of Values into every aspect of our human resources system, including hiring, the fostering of personnel, and evaluation. Ninety percent of employees already take part in regular one-on-one meetings with their supervisor, and we would like to challenge ourselves to enhance the substance of these meetings even further and include honest and frank feedback and serious career consultations.

For NEC to display its potential and reach a level where it can win on the global stage where people, who are diverse in every way—be it by gender, nationality, experience, age, or some other attribute—can exchange ideas, it is from this exchange that innovation emerges. This energy gets amplified when people acknowledge each other and utilize each other’s skills, as opposed to simply gathering in one place. People will naturally converge on a company like this. It is important that employees take pride in their work, take pride in NEC, and take on challenges that are more exciting than the last challenge. When each and every one is fully focused on achieving their dreams, these dreams intertwine and each becomes involved and engaged with the other—this generates value that has a real impact on the world, which leads us toward a stronger connection with the future. It is this shape that I want to achieve.

## Messages from Employees

We have established an HR policy under the banner “NEC, for those who seek challenge.” Under this policy, we are promoting human- and culture-centric reforms to optimize employee potential. Here, we will share some messages from a few of our employees who are working to create social value.



**Chris White**

President  
NEC Laboratories America

### Achieving Disruptive Innovations That Address Human Needs

Meaningful innovation addresses human needs through the removal of critical barriers to create entirely new markets and inspire new business opportunities. This kind of disruptive innovation is the core mission of industrial laboratories like NEC Laboratories America. NEC Corporation, with its long history of both broad and deep technological expertise, is uniquely positioned to commercialize these disruptive innovations on a global scale. The new NEC mid-term management plan anticipates the approaching technological revolution and positions NEC to lead in the creation of new technologies, new platforms, and new applications.

Although NEC is positioned to lead, realizing these goals will require clear communication, strong collaboration, and relentless speed in execution. Communication with customers, with governments, with universities, and with ourselves about the challenges we face and the potential solutions leads to greater understanding, a sharper focus, and clarity of thought. Collaboration leverages NEC's global workforce to tackle big, hard problems with diverse perspectives to find novel solutions for “impossible” problems. Finally, we need to execute end-to-end with speed and quality across all business and R&D stages, converting difficult challenges into novel solutions, comprehensive platforms, innovative products, and ultimately happy customers.

As a researcher, you always want your research results to make an impact. You want to work for companies like NEC with the perfect combination of great customers, a vision for the future inspired by new technologies, and a willingness to support R&D to tackle hard problems. For all of these reasons, I personally feel lucky to work for NEC and I am excited to see what we can achieve.

### Solving the Issues of Local Governments and Creating Safe and Secure Cities

I am involved in a project called “*Kurumie* for Cities” that uses a combination of dash cam\* data and AI to automatically detect surface deterioration on roads owned by local governments. I originally worked on car dash cams as a tool to support safe driving, but I wanted to take up a bigger challenge and try something new. So, when the chance came to work on this new business, which was developed out of an existing one, I transferred to the position I am in now.

This solution can solve road maintenance issues facing several local governments. In the past, local governments had to budget a lot of time and money toward comprehensive inspections of roads under their management, but with our solution they can take advantage of dash cams on ordinary cars, as opposed to dedicated vehicles, which allows for efficient inspections and preventive maintenance. We are taking on challenges every day, and our next challenge for the future is expanding our business into detecting deterioration on airport runways.

As a beneficiary, as well as someone whose family and friends use the roads and highways, it makes me happy knowing that they are able to enjoy the value of our service. Our goal is to create a safe and secure city, but we also want to grow the area where we provide this value, not just in Japan but all around the world.

\* Dashboard-mounted CCTV system



**Kaori Iwafuchi**

Manager  
System Platform Business Unit  
System Devices Division



**Saori Tsubakino**

Assistant Manager  
Global Business Unit  
Global Relations Division

**A Project to Create Social Value in Developing Countries with NEC’s Biometric Authentication Technology**

I am working with international organizations to promote a vaccination project that utilizes child fingerprints. The project aims to improve child vaccinations by using fingerprint authentication technology in developing countries that are facing difficulties in vaccination record management. Although child fingerprint authentication is extremely challenging, we have developed the world’s first child fingerprint authentication achieving actual utilization with NEC’s superior biometric technology.

When I studied abroad, I saw with my own eyes many children who bore the brunt of undeveloped social infrastructures. I then decided to involve myself in developing projects that would reinforce social infrastructures because I thought it would enable me to create a win-win relationship for both developing countries and companies. Eventually, I joined NEC and am now involved in this project.

While developing countries require funds for development, NEC, a for-profit company, needs to generate profit to maintain sustainable operations. We need to consider to work with governments and international organizations to garner the financial support to get these developing countries on the right track. My previous work experience in a financial institution has been useful to my current work.

NEC creates social value through technology. We listen to people who are facing real challenges and can co-create solutions together. This is NEC’s strength.

**Launching a New Business That Provides Safe and Secure Infrastructure**

I joined NEC as a new employee in 2020, and I am launching a business that involves installing 5G transmitters on traffic lights and other structures in order to determine the situation at traffic intersections, support autonomous driving, and help prevent accidents. The hard part of our day-to-day work is that the path to our goals is not straightforward. As we search for this path, we need to be able to look ahead and reverse engineer our steps. We also need to think how we can monetize our business, as opposed to simply commercializing it.

Ever since I was a student, I was interested in local revitalization and sustainability, and I joined NEC due to its ability to work with the national government. Before joining, I thought of NEC as a rather conventional company, so when I got there, I didn’t expect to see all the hustle and bustle with so many people actively working around me. I feel, though, that this will help me gain a lot of experience as I face one challenge after another. As a first step, I am working to launch this business to provide safe and secure infrastructure and to use collected data to further reduce traffic congestion. In the future, I will use the experience gained in launching this business and be involved in solving issues in fields such as tourism and agriculture with the aim of revitalizing local areas.



**Nozomi Matsumoto**

Cross-Industry Unit  
Cross-Industry Business  
Development Division

**Helping Customers Achieve Their Future Visions through Consulting**

I joined NEC in March 2020 and have found collaboration within the Company to be much more active than I expected. When you look at NEC’s people and technology, the possibilities seem infinite. NEC continues to develop technology on its own, and for this reason, it is able to have a good grasp on the future, but there is a lot more that NEC could do to contribute to society and to its customers. I believe that the Company needs to be ready to put forth potential “hypotheses” that will help customers achieve success at an earlier stage, so the Company needs to deliver this value with speed, even if its initial proposals are not a 100% match with requirements. In this sense, the existence of consulting services as a part of NEC is greatly significant.

We believe that our role is to help customers create the value that is part of their future vision and help them realize the fruits of their endeavors. Creating value does not only mean promoting differentiation or producing added value—it also means amplifying that created value upon itself. A company can actualize its “reason for being” in a sustainable manner by taking advantage of digital technology, both to update its value and contribute to society. For example, more effective use of investment resources and assets can increase the efficiency of the value chain, which not only lowers costs but also helps reduce the loss of resources and brings us closer to carbon neutrality, all of which contributes toward a sustainable society. In addition, these efforts will lead to the creation and increase of added value for customers and, ultimately, their beneficiaries. NEC will think, together with its customers, on how to resolve the issues that stand in their way from realizing their vision for the future, make efforts to resolve them based on current technology and future possibilities, accumulate results, and then realize growth.



**Eiki Momotani**

Managing Executive  
Digital Business Platform Unit  
DX Strategic Consulting Division

# Living Harmoniously with the Earth to Secure the Future

“Living harmoniously with the earth to secure the future,” part of the NEC 2030VISION, includes three elements: **decarbonization**, **preventing global warming**, and **water and food safety**. Under this banner, we intend to utilize our business to solve and improve climate change and a variety of other environmental issues occurring on the earth today, and realize a sustainable society. Since 2018, NEC has highlighted “environmental action with a particular focus on climate change” as one of its materiality themes. Therefore, we are providing value in the form of mitigation-based (decarbonization) and adaptation-based countermeasures to climate change, more specifically, reducing CO<sub>2</sub> emissions from customers and society through DX and “preparing for the various impacts of climate change.” By expanding provision of solutions and services that help resolve environmental issues, we will support the conservation of the global environment and the sustainable growth of both companies and society.

## Environmental Initiatives for Realizing a Sustainable Society

As our response to climate change, we have set Science Based Targets (SBTs) for 2030 as part of our goal of reducing our CO<sub>2</sub> emissions to effectively zero by 2050, and are working to provide solutions and services to contribute toward resolving environmental issues.

### 2050 Course of Action for Climate Change Toward 2050

(Announced July 2017)  
Effectively zero CO<sub>2</sub> emissions by 2050

### 2030 SBT\* 1.5°C

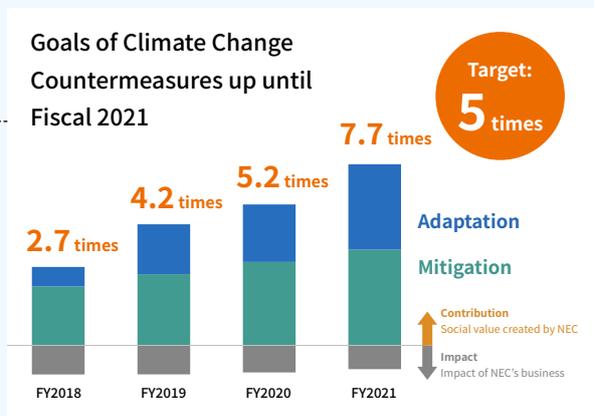
(Validated in May 2021)  
Reduce Scope 1 and Scope 2 CO<sub>2</sub> emissions by 55% compared with fiscal 2018

### 2020 Create Five Times More Environmental Value through Business

(Announced July 2014)

### 2018

“Response to environmental issues centered on climate change” positioned as materiality

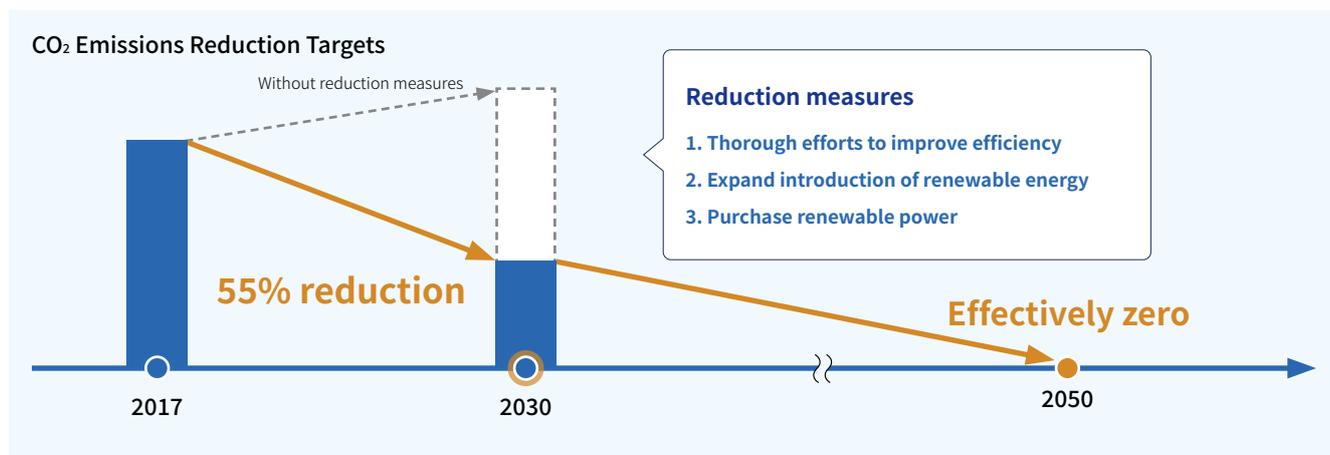


\* Science Based Targets

## Aiming to Reduce CO<sub>2</sub> Emissions to “Effectively Zero” by 2050

Decarbonization Preventing global warming

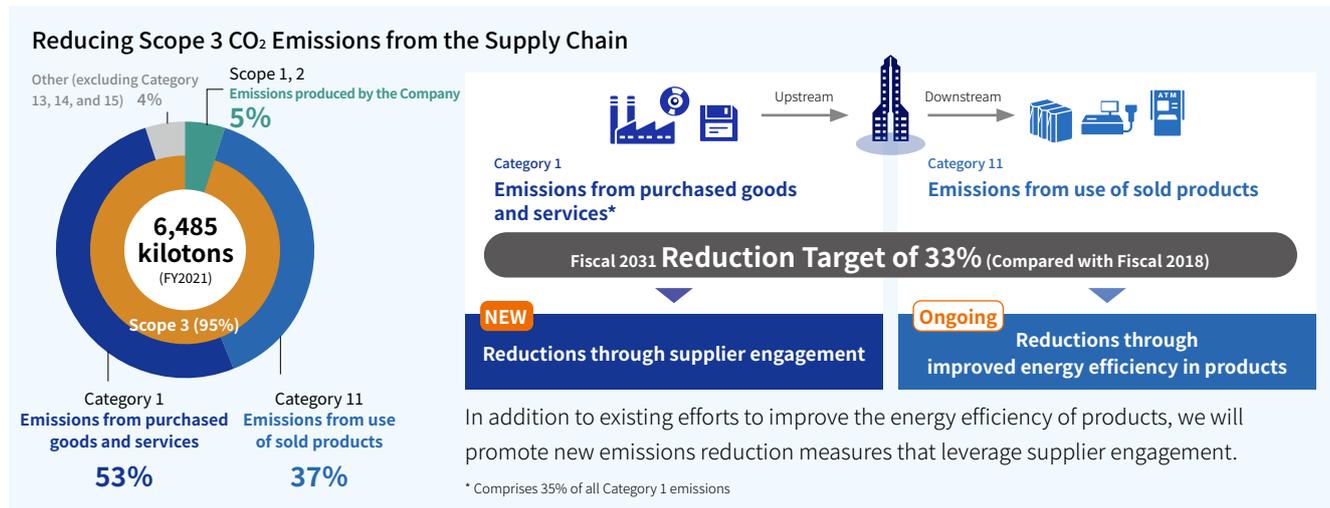
In July 2017, we formulated our climate change countermeasure guidelines up to 2050 in order to strengthen NEC’s sustainable management base and promote creation of a sustainable society together with our customers. In accordance with these guidelines, we aim to reduce CO<sub>2</sub> emissions associated with NEC’s business activities (Scope 1 and Scope 2) to effectively zero by 2050. In 2021, NEC joined RE100 and is dedicated to procuring 100% of its electricity from renewable sources.



## NEC’s Initiatives Toward Achieving the SBTs

Decarbonization

In 2021, we increased the stringency of our Science Based Targets for climate change countermeasures from the “well below 2°C” goal to an alignment with the “1.5°C” goal, and we are redoubling efforts to reduce environmental footprint and risks throughout our supply chains. Since CO<sub>2</sub> emissions from the supply chain account for 95% of NEC’s total emissions, we are making new efforts to reduce emissions from purchased goods and services through engagement with our suppliers. These efforts are in addition to our existing efforts to reduce emissions from the use of sold products.

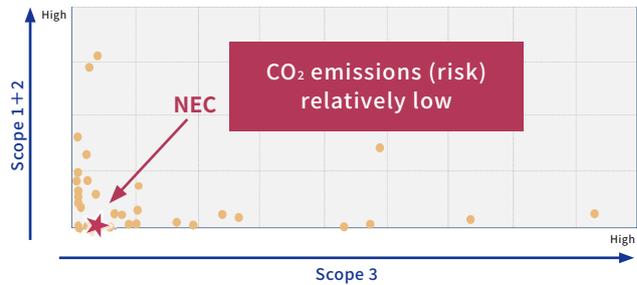


Contributing to Decarbonization through Business

Decarbonization

Although NEC's CO<sub>2</sub> emissions are small relative to the rest of the industry, with a small impact on society, industries with high CO<sub>2</sub> emissions can take advantage of NEC's ICT technology to help reduce their emissions. Therefore, we are ramping up efforts to make our business means toward decarbonization to accelerate the decarbonization process across society.

NEC's Position When Mapping Corporate CO<sub>2</sub> Emissions



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

Calculation Methods for CO<sub>2</sub> Emission Reductions

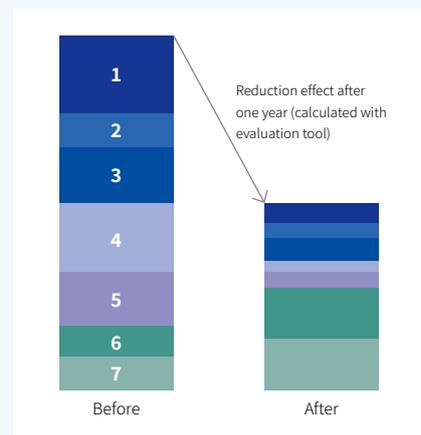
Use CO<sub>2</sub> emissions as a metric for evaluating changes from introducing ICT (centered on seven activities concerning CO<sub>2</sub> emissions)

Ways that introducing ICT can reduce impact

<p><b>1. Human Movement</b></p> <p>Use of online conferencing systems</p>	<p><b>2. Use of Paper</b></p> <p>Electronic file sharing, e-books</p>	<p><b>3. Use of Object</b></p> <p>Use of network services</p>	<p><b>4. Object Movement</b></p> <p>Streamlining logistics, digitalized items</p>	<p><b>5. Object Storage</b></p> <p>Lower storage space needs from reduction in paper and objects</p>
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Ways that introducing ICT can increase impact

<p><b>6. Use of IT Devices</b></p> <p>Greater power consumption from increased use of IT devices for new systems</p>	<p><b>7. Use of Network Services</b></p> <p>Greater power consumption from increased use of network services</p>
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Contributing to Society with Businesses Related to Carbon Neutrality

<p><b>Resource aggregation business</b> FY2026 business scale: 12.0 billion yen</p>	<p><b>Expansion of business</b></p> <p>Decarbonization management solutions Circular economy Energy management</p>	<p><b>Contribution to a decarbonized society</b></p> <ul style="list-style-type: none"> <li>• Uptake of renewable energy</li> <li>• Improvement of resource productivity of industrial sector</li> </ul> <p>CO<sub>2</sub> reduction economic effect: 90.0 trillion yen*</p> <p><small>* Source: Green Growth Strategy for Carbon Neutrality in 2050 (Ministry of Economy, Trade and Industry, published in 2020) Note: Market size is an estimate of the Japanese market in 2030.</small></p>
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Other Examples

Please refer to page 42 of *Sustainability Report 2021* to learn about our efforts to reduce CO<sub>2</sub> emissions in Africa with a Hybrid Energy Storage System.

Decarbonization

Please refer to page 41 of *Sustainability Report 2021* to learn about our IoT-based River Water Level Monitoring System, which has been installed as a global warming measure and to assist with water safety. Preventing global warming Water and food safety

## Risks and Opportunities

Decarbonization Preventing global warming Water and food safety

Recognizing the impact that such environmental risks as climate change and pollution by hazardous substances could have on its businesses, NEC conducts risk reduction and prevention activities through assessment, inspection, and education.



For climate change in particular, we examine risks and opportunities from both a short-term and a medium- to long-term perspective in line with TCFD recommendations, evaluate future impacts, and identify assets in relation to risk countermeasures and opportunities.

Risks and Opportunities at a Glance Climate change Other environmental issues

## Environmental Targets: NEC Eco Action Plan 2025

Decarbonization Preventing global warming Water and food safety

To reduce CO<sub>2</sub> emissions to “effectively zero” by 2050, we have set a series of environmental targets to be achieved over the course of five years, based on the NEC 2030VISION and the Mid-term Management Plan 2025.

We have selected 11 priority activities based on the three goals.

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

2.3 For more details on the NEC Eco Action Plan 2025, please refer to pages 31 and 32 of *Sustainability Report 2021*.

### 1. Reduce own risks and footprints

Themes		Indicator	FY2026 Targets
Reduction of CO <sub>2</sub> emissions	In-house	Reduce total emissions (absolute value) (SBT)	Reduction rate of energy-derived CO <sub>2</sub> emissions (absolute value) (compared with FY2018)
		Expand use of renewable energy	Amount of electric power used from renewable energy
	Supply chain	Reduce Category 1 emissions (SBT)	Reduction rate of energy-derived CO <sub>2</sub> emissions from purchased goods and services (compared with FY2018)
		Reduce Category 11 emissions (SBT)	Improvement rate of product energy efficiency (compared with FY2014 products)
Reduce water usage		Reduction rate (compared with FY2019)	-3.5%
Reduce waste emissions		Reduction rate (compared with FY2019)	-4.8%

## External Evaluation Regarding the Environment

Decarbonization Preventing global warming Water and food safety

NEC was included in the “A List” for both climate change and water security in 2019 and 2020 consecutively. NEC was also listed on the CDP’s supplier engagement “Leaderboard,” the highest recognition the CDP offers for supplier engagement.



## At a Glance

NEC Corporation and Consolidated Subsidiaries

Revenue, adjusted operating profit, adjusted net income, free cash flow, and composition of revenue are financial results for the fiscal year ended March 31, 2021 (IFRS).

Revenue

**2,994.0** billion yen

Adjusted operating profit

**178.2** billion yen

Adjusted net profit

**165.4** billion yen

Free cash flows

**152.4** billion yen

### Public Solutions Business

Revenue

**425.1** billion yen

Adjusted operating profit

**39.4** billion yen

#### Major Products and Services

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

#### Examples of Major Customers and Main Solutions

##### Public:

Firefighting Command,  
Firefighting Emergency Radio Systems,  
Disaster Prevention, Traffic Control,  
Railroad Communication,  
Local Government,  
Energy Management Systems

##### Healthcare:

Electronic Medical Records,  
Regional Healthcare Information Network

##### Regional Industries:

Backbone Service

#### Major Consolidated Subsidiaries

NEC Nexsolutions, Ltd.

### Public Infrastructure Business

Revenue

**692.9** billion yen

Adjusted operating profit

**59.4** billion yen

#### Major Products and Services

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

#### Examples of Major Customers and Main Solutions

##### Government:

Social Security and Tax, Fingerprint  
Identification, Air Traffic Control, Satellite  
Communications/Earth Observation,  
Outdoor Communication, School/Education,  
Postal Tracking

##### Media:

TV Program Production/  
News Production/Transmission,  
Digital TV Transmitters

#### Major Consolidated Subsidiaries

NEC Network and Sensor Systems, Ltd.  
NEC Space Technologies, Ltd.  
Japan Aviation Electronics Industry,  
Limited

### Enterprise Business

Revenue

**503.1** billion yen

Adjusted operating profit

**48.2** billion yen

#### Major Products and Services

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

#### Examples of Major Customers and Main Solutions

##### Manufacturing:

Global SCM, Product Life Cycle Management,  
Production Management, Sales Management

##### Retail and Services:

Retail Systems for Stores and Head Offices,  
Logistics Management

##### Finance:

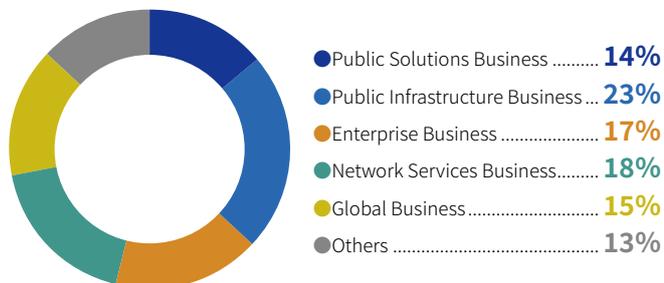
Banking, Business Branch Systems,  
Insurance and Securities Infrastructure,  
Insurance and Securities Channel

#### Major Consolidated Subsidiaries

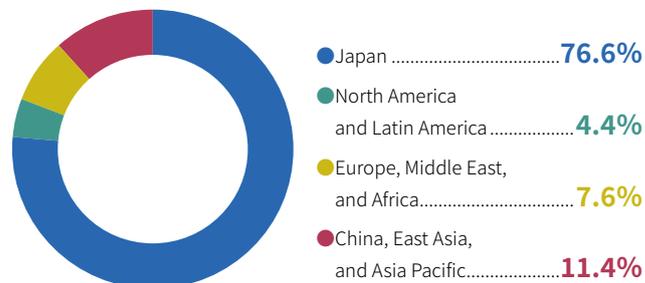
NEC Facilities, Ltd.

Note: Figures for revenue, adjusted operating profit, and composition of revenue for the fiscal year ended March 31, 2021 are restated to conform with the new segments, which have not been audited by the accounting auditors.

### Composition of Revenue



### Revenue by Region



#### Network Services Business

Revenue

**538.8 billion yen**

Adjusted operating profit

**41.2 billion yen**

##### Major Products and Services

- Network Infrastructure: Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Routers/Switches
- Systems Integration: (Systems Implementation, Consulting)
- Services & Management: OSS\*1/BSS\*2, Services/Solutions

\*1 OSS: Operation Support System

\*2 BSS: Business Support System

##### Major Consolidated Subsidiaries

NEC Networks & System Integration Corporation

#### Global Business

Revenue

**450.0 billion yen**

Adjusted operating profit

**7.5 billion yen**

##### Major Products and Services

- Digital Government, Digital Finance
- Software Services for Service Providers (OSS/BSS)
- Network Infrastructure: Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Wireless Backhaul

##### Major Consolidated Subsidiaries

OCC Corporation  
 Netcracker Technology Corporation  
 NEC Software Solutions UK Limited  
 KMD Holding ApS  
 Avaloq Group AG

#### Others

Revenue

**384.2 billion yen**

Adjusted operating profit

**7.7 billion yen**

##### Major Products and Services

- Business Consulting
- Package Solution Services

##### Major Consolidated Subsidiaries

ABeam Consulting Ltd.  
 NEC Platforms, Ltd.  
 NEC Fielding, Ltd.  
 NEC Embedded Products, Ltd.

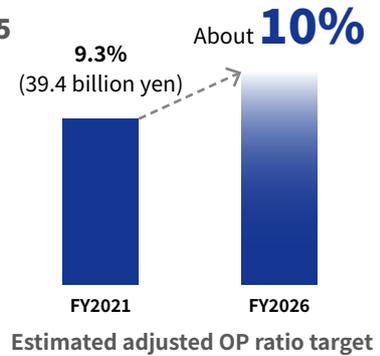
## Business Overview

# Public Solutions Business

### Social Value Goals under the Mid-term Management Plan 2025

#### Expand the value we provide to help realize prosperous local societies

- Achieve continued growth while transforming our business model
- Help resolve social issues by providing value beyond existing frameworks



### Achievements and Issues to be Addressed under the Mid-term Management Plan 2020

#### Achievements

- Improved operating profit ratio with measures that included reducing unprofitable projects
- Reviewed and implemented strategies in response to sudden changes in the external environment (COVID-19, etc.)

#### Issues

- Increase profitability of business through business profitability analysis, followed by improvement measures
- Help resolve social issues by taking on challenges that create new social value

### Business Opportunities and Key Measures for the Medium to Long Term

#### Business Opportunities

- Accelerated digitalization due to lifestyle and workstyle changes
- Increased expectations for ICT to resolve social issues

#### ● Expanding Business Domains to Resolve Social Issues

The COVID-19 pandemic has caused significant changes in the way we conduct business and live our lives. This applies to NEC as well, and we are taking steps to go beyond the conventional boundaries of an ICT vendor and promote co-creation and connection building with customers and business partners. This is part of a move to transform and create further social value.

To that end, we will stand at the forefront of the various issues gripping Japan, such as rising social security costs and a shrinking labor force, and muster a firm response, leveraging the trust and track record we have built up to date delivering the latest systems in public, medical and local industry fields, as well as our cutting-edge technology. At the same time, we will also

work to create services with true value from the consumer's perspective. In addition, we will utilize our extensive track record and society's trust in us, as well as our advanced technologies to tackle environmental problems and natural disasters, the latter of which are increasing in intensity and frequency, and help resolve customer and social issues.

#### ● Transforming Our Business Model

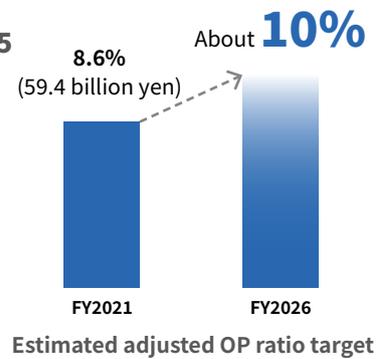
We aim to transform our business model to provide new value to customers and society while also spurring our own business growth. More specifically, we will utilize the know-how gained from promoting our existing packaging business to provide new offerings. As we develop assets in digital government, digital healthcare, city management, public safety and transportation, we are developing mechanisms and systems for these assets. On top of ensuring high quality in a stable manner, we plan to increase speed of delivery, which will increase the value we provide to customers and help raise business profitability.

# Public Infrastructure Business

## Social Value Goals under the Mid-term Management Plan 2025

### Transform social systems

- Contribute to a social system that allows all people to enjoy prosperity and convenience
- Create public infrastructure that allows for safe and secure living



## Achievements and Issues to be Addressed under the Mid-term Management Plan 2020

### Achievements

- Exceeded targets put forth for each fiscal year of the Mid-term Management Plan 2020
- Achieved horizontal expansion of technological assets and launched new value creation endeavors in the fields of government, education, broadcasting, and security

### Issues

- Increase efforts to reduce unprofitable projects despite such projects being on a downward trend
- Improve capital efficiency despite maintaining high profitability

## Business Opportunities and Key Measures for the Medium to Long Term

### Business Opportunities

- Expanding role of ICT in the transformation of social systems
- Expansion of new business areas due to the promotion of digital governments

#### ● Expanding Business in New ICT Fields

“Toward a proud society. Toward a proud future.” This is the vision that the Public Infrastructure Business Unit put forth during the formulation of the Mid-term Management Plan 2025. Our goal is to realize a society in which all people can enjoy prosperity. To this end, we will combine NEC’s technologies, products, and solutions and work with partner companies to create new social value. Over the past year, we have embarked on new initiatives. These include promoting OPE,\* NEC’s education cloud service, and digital education that provides one terminal for each person. It also includes the development of cloud-based offerings for government offices to accelerate government digitalization. We are also looking into creating new value in the aviation industry utilizing data linkage. As we continue to build and operate public

infrastructure, we will also work to create new value at the same time. By taking on this challenge, we will transform the structure of public systems themselves, creating a society that both we and our customers can take pride in.

\* OPE: Open Platform for Education

#### ● Introducing of ROIC-based Management

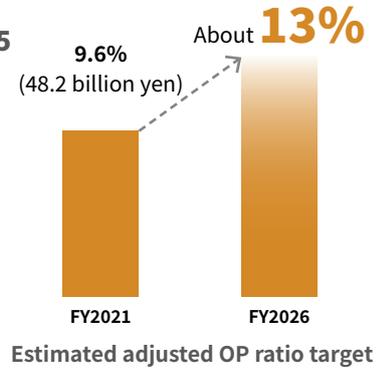
The Public Infrastructure Business Unit supports customer operations in sectors such as government offices, broadcast stations, and security by facilitating the stable operation of super mission-critical ICT systems. We are maintaining stable revenue levels and stable operating profit ratios amid high technical demand and several large-scale projects. In a move to increase “quality of management” even further, the Public Infrastructure Business Unit, with its various characteristics, will adopt a pioneering role, taking on ROIC-based management from fiscal 2022. This initiative will involve measures tailored to the characteristics of each business that, instead of only maintaining high profitability, are also intended to increase capital efficiency, and thereby improve corporate and business value in a sustainable manner.

# Enterprise Business

## Social Value Goals under the Mid-term Management Plan 2025

### Provide value and create new business opportunities that will meet customer and market demand

- Enhance efforts toward DX that will go beyond the boundaries of companies and industries to resolve social issues
- Leverage NEC's strengths and its partnerships with customers to promote the co-creation of growth businesses



## Achievements and Issues to be Addressed under the Mid-term Management Plan 2020

### Achievements

- Developed solutions and services aimed to accelerate DX, and promoted the creation of DX-related offerings
- Established a solid business foundation that can maintain a stable operating profit ratio of 10%

### Issues

- Shift to a business structure that is not affected by changes in the macro environment
- Continue to increase profitability

## Business Opportunities and Key Measures for the Medium to Long Term

### Business Opportunities

- Greater expectations for ICT as a means to solve a variety of social issues, such as environmental problems, decarbonization, and labor shortages
- More new business opportunities and acceleration of ICT use in markets as a result of COVID-19

### ● Ramping Up Initiatives in Growth Fields

To respond to market needs in light of the rapid changes taking place in society, we have taken steps to develop solutions and services for customers in the manufacturing, retail/service, and financial industries. Taking this further, we plan to ramp up and expand efforts toward DX that will go beyond the boundaries of companies and industries to resolve social issues.

Looking even further into the future, we are also promoting efforts to help realize a sustainable society. These efforts will not be done on our own. Instead, we will work with our customers and business partners and devise a medium- to long-term plan that utilizes all of our strengths and, when implemented, will result in the co-creation of value.

### ● Increasing Profitability of the SI Services Business

The system integration services business is at the heart of the Enterprise Business, and we will go forward with plans to implement modeling and create new offerings for it. These measures will improve productivity, quality, and delivery speed; at the same time, we will shift toward the type of business that creates value, boosting profitability as a result. Along with these measures, we will also enhance our efforts to cultivate human resources who specialize in consulting necessary for business and those with a high level of expertise in DX.

### ● Improving Management Efficiency

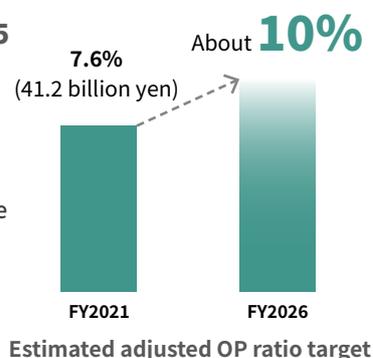
To establish a sustainable profit growth cycle, we will set up and reinforce a system for monitoring business profitability while working to improve the asset efficiency of our business investments by reducing the number of days in our cash conversion cycle along with other efforts. Also, we will continue to invest resources generated through this process in growth businesses to further refine our strengths and raise our competitiveness.

# Network Services Business

## Social Value Goals under the Mid-term Management Plan 2025

**Contribute to the digital transformation of society as a whole by maximizing the communications-related value rooted in 5G**

- Promote open systems as a way to expand 5G as a form of social infrastructure
- Maximize value for customers by modernizing carrier operators and providing DX support
- Contribute to the development of DX among industries by integrating networks and IT



## Achievements and Issues to be Addressed under the Mid-term Management Plan 2020

### Achievements

- Expanded 5G businesses via a full-scale launch of commercial 5G networks with domestic carriers
- Maintained profitability by retaining the top position in telecom-related business
- Developed NEC Smart Connectivity and established a co-creation system

### Issues

- Expand footprint and portfolio in software domains (core, RIC, etc.) in order to expand 5G business globally
- Establish a customer profit model using end-to-end solutions in the NEC Smart Connectivity business

## Business Opportunities and Key Measures for the Medium to Long Term

### Business Opportunities

- Expansion of global opportunities from the full-scale launch of the 5G market and development of open systems
- Optimization of overall management for domestic carriers and expansion of business in value-added fields
- Expansion of business opportunities to support DX in industrial and public sectors

The rise of 5G and the IoT has sped up the digital shift. DX is also accelerating on a new level as the industrial world harnesses it to acquire new business and promote effective management utilizing AI, the IoT, the cloud, and other tools. In consideration of these conditions, we aim to expand business based on the following three pillars.

#### ● Leading the Shift to Open Systems and Promoting the Global 5G Business

The current telecom carrier market demands a flexible response to a variety of needs, and open and virtual systems are expanding into network domains, driven by IT. Telecom operators are turning toward investing in next-generation communications and DX

in the wake of 5G. NEC will take advantage of these market conditions and assume a leading role in the Open RAN market, setting up a system for operations that will allow the Company to leverage mobile telecommunications infrastructure to provide value globally. We will also expand our Global 5G Business, backed by two of NEC's strengths, wireless technology and system integration.

#### ● Optimizing Overall Management for Domestic Carriers and Expanding Business in Value-added Fields

In addition to our efforts to make solid business contributions that meet customer expectations, we are also working to optimize overall management and expand business in value-added fields. The former is rooted in our track record of supporting commercial networks and takes advantage of our customer engagement, whereas the latter takes advantage of modernized information platforms and other forms of innovation.

#### ● Expanding Business to Support DX in Industrial and Public Sectors

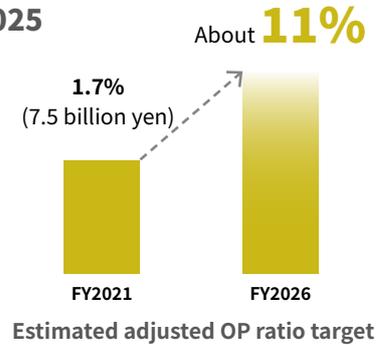
To expand business, we will integrate telecommunications with IT to get a grasp on social changes, and use NEC's comprehensive capabilities to provide industries with end-to-end solutions centered on local networks and data distribution.

# Global Business

## Social Value Goals under the Mid-term Management Plan 2025

### Become a true global company through profitable growth

- Become a thought leader through active investments in the growth areas of digital government (DG)/digital finance (DF) and submarine systems
- Transform the Company's organization, systems, and culture to become one that is truly global



## Achievements and Issues to be Addressed under the Mid-term Management Plan 2020

### Achievements

- Completed portfolio switch, setting the foundation for profitable growth
- Improved profitability of the Global Business and brought adjusted operating profit into positive figures

### Issues

- Expand DG/DF globally and ramp up optimization of synergies
- Accelerate transformation to a services- and SaaS-based business model

## Business Opportunities and Key Measures for the Medium to Long Term

### Business Opportunities

- Digitalization in government and finance areas
- Greater demand for submarine cables due to increased global communications traffic

### ● Digital Governments/Digital Finance—Utilizing Synergies to Accelerate Global Expansion

We plan to capture the trend toward DX in Nordic and Commonwealth nations, Asia, and Japan and expand into government services, law enforcement, healthcare, aviation, transport, education, and financial fields. To accelerate this expansion, we will leverage NEC's superior biometrics technology as well as its sales network in each country. We will also utilize synergies—product synergies that involve sharing software assets between three acquired companies to create a shared platform, and cost synergies that take advantage of NEC procurement capabilities and centralized software development resources.

The demand for solutions at airports is gradually recovering after stagnating due to COVID-19. Some examples of this recovery

are the infection control solutions we have implemented at five major Hawaiian airports and the touchless boarding platform we have implemented at Rome Fiumicino Leonardo da Vinci Airport in collaboration with SITA. We also intend to accelerate the shift toward a SaaS-based business model in other public safety fields.

### ● Submarine Systems—Strengthening Business Execution Capabilities to Respond to Market Expansion

There is an urgent need to increase transmission capacity stemming from the increase in video content, remote work, and online learning. As a result, there has been a noticeable rise in direct investments in submarine cables, particularly among over-the-top (OTT) service providers. NEC will develop and enhance the functionality of new products that contribute to the expansion of transmission capacity and quality improvement ahead of other companies, aiming to increase its share not only in the Pacific Ocean, where NEC has a high market share, but also in the Indian Ocean and Atlantic Ocean. We will also continue to increase our business execution capabilities, which include production, cable installation, and quality control, in line with the expansion of business scale.

## Relationship of Targets and Growth Businesses in FY2021 by Segment

	Public Solutions	Public Infrastructure	Enterprise	Network Services	Global Business	Others
CAGR from FY2021 to FY2026	About 0%~1%	Flat	About 1%~5%	About 3%~8%	About 4%~6%	—
FY2026 Targets: Estimated Adjusted OP Ratio	About 10%	About 10%	About 13%	About 10%	About 11%	—
Growth Business	Digital Government/Digital Finance	●	●	●	●	
	Global 5G				●	
	IT Business Transformation in Japan	●	●	●	●	
	Future Growth Business Creation					●

### M&A<sup>\*1</sup> Accomplishments and Future Direction

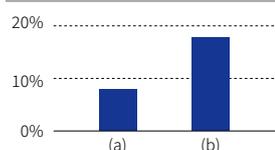
#### M&A accomplishments before FY2011 (≥10B JPY)



Year / Amount<sup>\*2</sup>

**FY2006**  
**30.0B JPY**

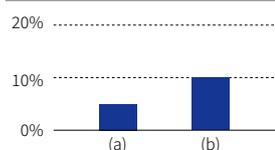
IRR<sup>\*3</sup>



Year / Amount<sup>\*2</sup>

**FY2009**  
**430M USD<sup>\*4</sup>**

IRR<sup>\*3</sup>



#### Recent M&A accomplishments (≥10B JPY)



Currently NEC Software Solutions UK

Year / Amount<sup>\*2</sup>

**FY2018**  
**475M GBP**

EBITDA Margin



Year / Amount<sup>\*2</sup>

**FY2019**  
**8.0B DKK**

EBITDA Margin



\*1 Other than the above 4 companies, 3 M&As were implemented from FY2005 (CSG, 2012, 227.5M AUD; A123, 2014, 100M USD; Avaloq, 2020, 2.05B CHF).

\*2 Year refers to first FY; amount refers to total.

\*3 Reference value (a) excludes corporate value; reference value (b) includes corporate value (computed from time of acquisition to present).

\*4 430M USD for Netcracker is only for its stock acquisition cost. IRR is computed by including a loan from NEC to NC.

# Risks and Opportunities

In addition to financial risks, NEC works to gain a proper understanding of non-financial (ESG) risks, that if realized, may cause the Company to negatively impact the environment or society. In addition to effective and efficient measures to mitigate these risks, NEC is taking steps to turn these risks into business opportunities. As part of this effort, we intend to direct our efforts according to materiality, which is a set of priority management themes from an ESG perspective. These efforts will maximize the value provided while minimizing risk, which in turn will improve future financial performance and contribute to achieving the SDGs.

## Risk Management Framework

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

entities, which are attended by the CEO.

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

Moreover, NEC minimizes emerging risks—namely, risks that could arise in the near future and have a long-term effect on corporate management—by predicting their potential impact on businesses and taking countermeasures accordingly.

## Major Risks & Opportunities and Related Initiatives

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

### Financial

	Risks (●) and Opportunities (○)	Initiatives (Corresponding page in this report)
Trends in Economic Environment and Financial Markets	<ul style="list-style-type: none"> <li>● Impacts from economic trends and market fluctuations</li> <li>● Fluctuations in exchange rates and interest rates</li> <li>● Adverse effects of infectious diseases, man-made disasters, and natural disasters</li> <li>○ Greater expectations for ICT as a solution to social issues</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>T</b> P.46 Living Harmoniously with the Earth to Secure the Future</li> <li>P.52 Business Overview</li> </ul>
The NEC Group's Management Policies	<ul style="list-style-type: none"> <li>● Financial instability and fluctuations in revenue</li> <li>● Company acquisitions and withdrawal from businesses</li> <li>● Difficulty in maintaining relationships with strategic partners</li> <li>● Inability to participate in certain markets and country-related risks</li> <li>○ New growth from implementing the Mid-term Management Plan 2025</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>T</b> P.22 Mid-term Management Plan 2025</li> <li>P.30 CFO Message</li> <li>P.34 R&amp;D and Business Development</li> <li>P.40 NEC, for Those Who Seek Challenge</li> <li>P.46 Living Harmoniously with the Earth to Secure the Future</li> </ul>
The NEC Group's Business Activities	<ul style="list-style-type: none"> <li>● Dependence on the NEC Group's primary customer base</li> <li>● Difficulties with respect to new businesses, intensifying competition</li> <li>○ Increase in business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>T</b> P.52 Business Overview</li> </ul>

**Non-Financial**

Materiality	Risks (●) and Opportunities (○)	Initiatives
<b>Environmental Action with a Particular Focus on Climate Change</b>	<ul style="list-style-type: none"> <li>● System failure from natural disasters</li> <li>● Increased costs related to CO<sub>2</sub> emissions</li> <li>○ Provision of ICT solutions</li> </ul> 	<p>Contribute to reducing CO<sub>2</sub> emissions, not only from our own business but also from customers' businesses</p> <p>Promote thorough energy conservation and increased use of renewable energy based on the NEC Eco Action Plan 2025, to achieve SBT 1.5°C</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.46 Living Harmoniously with the Earth to Secure the Future</li> <li>▶ <b>S</b> Response to Climate Change</li> </ul>
<b>Security to Maximize ICT Possibilities</b>	<ul style="list-style-type: none"> <li>● Information leaks, unauthorized access, system failure</li> <li>○ Development of security professionals</li> <li>○ Provision and operation of robust information systems</li> </ul> 	<p>Promote information security measures in a sound manner</p> <p>Provide products and services that incorporate security measures</p> <p>Develop information security professionals</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.34 R&amp;D and Business Development</li> <li>▶ <b>S</b> Information Security and Cyber Security</li> </ul>
<b>AI and Human Rights</b>	<ul style="list-style-type: none"> <li>● Invasion of privacy-related risks accompanying new technologies (designated as a Priority Risk and an emerging risk in fiscal 2021)</li> <li>○ Strengthening competitiveness</li> </ul> 	<p>Promote appropriate utilization of AI, develop advanced technology and talent, and engage with a range of stakeholders to build partnerships and collaborate with closely in accordance with the NEC Group AI and Human Rights Principles</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.34 R&amp;D and Business Development</li> <li>▶ P.60 Respecting Human Rights</li> <li>▶ <b>S</b> Respecting Human Rights, AI and Human Rights, Personal Information Protection and Privacy, Innovation Management</li> </ul>
<b>Diverse Human Resource Development and Cultural Transformation</b>	<ul style="list-style-type: none"> <li>● Harassment (designated as a Priority Risk in fiscal 2021)</li> <li>● Difficulty in securing and developing human resources</li> <li>○ Greater organizational strength through improved employee engagement</li> </ul> 	<p>Bolster diversity as a source of innovation, and implement workstyle reforms supporting diverse talent</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.40 NEC, for Those Who Seek Challenge</li> <li>▶ <b>S</b> Human Resource Development and Training, Inclusion and Diversity, Creating a Diverse Workstyle Environment</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>● Inadequate accounting processes (designated as a Priority Risk in fiscal 2021)</li> <li>● Management of confidential information (designated as a Priority Risk and an emerging risk in fiscal 2021)</li> <li>● Group governance</li> <li>○ Acquisition of trust from society</li> </ul> 	<p>Further improvement of transparency of corporate governance</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.6 Message from the President</li> <li>▶ P.22 Mid-term Management Plan 2025</li> <li>▶ P.30 CFO Message</li> <li>▶ P.64 Corporate Governance</li> <li>▶ <b>S</b> Corporate Governance</li> </ul>
<b>Supply Chain Sustainability</b>	<ul style="list-style-type: none"> <li>● Environmental and human rights risks</li> <li>○ Collaboration and co-creation with suppliers</li> </ul> 	<p>Promote activities to ensure that all suppliers are aware of the Guidelines for Responsible Business Conduct in Supply Chains and agree to uphold its contents</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.62 Supply Chain Sustainability</li> <li>▶ <b>S</b> Supply Chain Management</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>● Compliance breaches (illegal acts, fraudulent acts)</li> <li>● Reputation risks</li> <li>● Quality of products and services, defects</li> <li>○ Acquisition of trust from society</li> </ul> 	<p>Ensure all NEC Group members, from employees to officers, conduct themselves according to the NEC Group Code of Conduct every day</p> <ul style="list-style-type: none"> <li>▶ <b>I</b> P.58 Risks and Opportunities</li> <li>▶ <b>S</b> Corporate Governance, Compliance and Risk Management, Respecting Human Rights, AI and Human Rights, Personal Information Protection and Privacy, Supply Chain Management, Ensuring Quality and Safety</li> </ul>

Note: The SDGs that are particularly impacted are listed.

# Respecting Human Rights

As a company that operates its business globally, NEC is committed to mitigating and preventing any negative impacts its corporate activities may have on the rights of its stakeholders. In particular, by making use of ICT, including social implementation of AI and utilization of biometrics and other data, each and every member of the Group, from executives to employees, shall maintain respect for human rights and view this issue as a top priority, making it a central theme to the Group’s conduct and business practices.

## Policy

Embedded in NEC’s Principles is a promise for “Uncompromising Integrity and Respect for Human Rights.” Likewise, our Code of Conduct clearly requires that human rights be respected in all situations.

In addition, NEC has specified “AI utilization with respect for human rights as the highest priority (AI and Human Rights)” 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 are responsive to the different privacy needs of various countries and regions due to cultural perspectives and that are sensitive to human rights issues, such as discrimination. Through these means, NEC will strive not only to minimize adverse impacts on society but also to maximize social value.

Furthermore, we consider appropriate protection of personal information to be our social responsibility, and have established the NEC Privacy Policy.

[NEC Group Human Rights Policy](#)

[NEC Group AI and Human Rights Principles](#)

[NEC Privacy Policy](#)

## Promoting Human Rights Due Diligence in Accordance with the UN’s Guiding Principles on Business (UNGPs)

NEC reports its efforts regarding human rights due diligence to the Board of Directors in a timely manner.

In fiscal 2021, we utilized the human rights risk data produced by the international NPO Business for Social Responsibility (BSR) to compile a list of human rights issues and identified the three issues on the right as the most prominent.

BSR also confirmed the specific content of business activities, management systems, and issues directly applicable to 22 divisions at NEC, focusing on the business units in particular and doing so from a third-party perspective. NEC then used the results to update its list of human rights issues to reflect truer conditions.

### List of NEC’s human rights issues

- New technology and human rights (AI and human rights)
- Labor in supply chains
- Employee safety and health

### Dialogue with Experts: Strengthening Human Rights Due Diligence in Supply Chains

In fiscal 2020, we invited Mr. Daisuke Takahashi from Shinwa Sohgo Law Offices, Mr. Ryusuke Tanaka from the ILO Office for Japan, and Ms. Asako Nagai from BSR to talk with officers and field-level employees about “labor in supply chains,” which is one of the themes on our list of human rights issues.

These experts commended NEC for its speed, both in implementing its initiatives over the course of the year and in building a system to protect business partners and Company staff from COVID-19. They were also complimentary about the Sustainability Award, which shows appreciation to our business partners for their active efforts.

On the other hand, they also commented that they would like us to create a positive impact by going forward with efforts to find potential human rights risks, focusing on the ones that have the biggest impacts on the rights holders and working with business partners to take remedial measures. They also stressed the importance of dialogue between labor and management, as well as dialogue between the Company and society during times of crisis, such as what we have seen with the COVID-19 pandemic.

Going forward, we will continue to engage in dialogue with various stakeholders, share our vision with our business partners, and disclose the process of our efforts to ensure transparency.



For more information, please refer to the section “Working toward Robust and Resilient Human Rights Due Diligence throughout Supply Chains” on page 96 of *Sustainability Report 2021*

## AI Utilization with Respect for Human Rights as the Highest Priority (AI and Human Rights)

We are also responding to growing concerns about adverse impacts on human rights, including violations of privacy and discrimination that have accompanied the use of AI and the IoT to enrich human life. In 2019, we announced the “NEC Group AI and Human Rights Principles.”

These principles stipulate that all individuals, from officers to employees, are to recognize respect for human rights as the highest priority in each and every stage of the NEC Group’s business operations in relation to AI utilization, such as social implementation of AI and utilization of biometrics, and to take appropriate action accordingly.

In accordance with the NEC Group Human Rights Policy, we are committed to the following three initiatives:

- 1**

Ensure that all products and services are implemented and utilized by NEC employees, customers, and partners appropriately
- 2**

Continue to develop advanced technology and talent to further promote AI utilization with respect for human rights as the highest priority
- 3**

Engage with a range of stakeholders to build partnerships and collaborate with closely

Responding to the global spread of COVID-19, in fiscal 2021 we have conducted timely identification and analysis of trends related to the identification and tracking of infected individuals and its impact on human rights and privacy. We reflected the balance between public health and human rights and privacy in the specifications, and provided airports and stadiums with infection control solutions at an early stage.

 NEC-led team to provide Hawaii’s airports with passenger screening technology

In addition, in fiscal 2021 we continued to hold the Digital Trust Advisory Council, established in fiscal 2020, to enhance our ability to deal with new issues arising in AI utilization. The council provides valuable input from external experts with specialized knowledge on legal systems, human rights, privacy, and ethics on how to use technology in a way that balances public health, human rights, and privacy (as in the example on the left), as well as on issues to be aware of when using cutting-edge technology researched and developed by the Company.

### “Thinking About AI Utilization in Harmony with Human Rights” Symposium

NEC engages in dialogues with various stakeholders on issues to be kept in mind when developing and utilizing AI, and reflects the feedback from these dialogues in its corporate activities.

In March 2021, we held a symposium titled “Thinking About AI Utilization in Harmony with Human Rights” in conjunction with the Keio University Global Research Institute (KGRI). As part of the symposium, a panel discussion was held on the status of setting global AI principles and approaches toward actualizing these principles featuring industry, government, and academic experts.



 For more details, please refer to the section “Respecting Human Rights” on page 17 of *Sustainability Report 2021*.

# Supply Chain Sustainability

NEC endeavors to work not only within itself but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole. Based on this belief, we will continuously engage in initiatives toward building a better supply chain, as we learn together with our suppliers about critical social issues and the impact of business on society. In May 2021, we newly designated “supply chain sustainability” as a material issue. With this new material issue, we are working to further reinforce initiatives, such as those relating to human rights and environmental due diligence.

## Promoting Initiatives in Collaboration with Our Suppliers

Sustainable procurement activities of the entire NEC Group are under the responsibility of the Chief Supply Chain Officer (CSCO). Decisions are made by the Procurement Steering Committee chaired by the general manager of the Purchasing Division. International subsidiaries conduct activities under the Global SCM Leaders Session, which meets annually, as the decision-making body. Guided by the Global SCM Leaders Session, we promote sustainable procurement in accordance with the culture and business practices of each country.

In addition, we request that our suppliers engage in responsible business conduct, including for transactions with upstream business partners.

Specifically, at each stage of basic contracts, dissemination, document check, and on-site assessment, we implement various measures to counter six priority risks, together with our suppliers.

In July 2020, we revised the CSR Procurement Guidelines under the title “Guidelines for Responsible Business Conduct

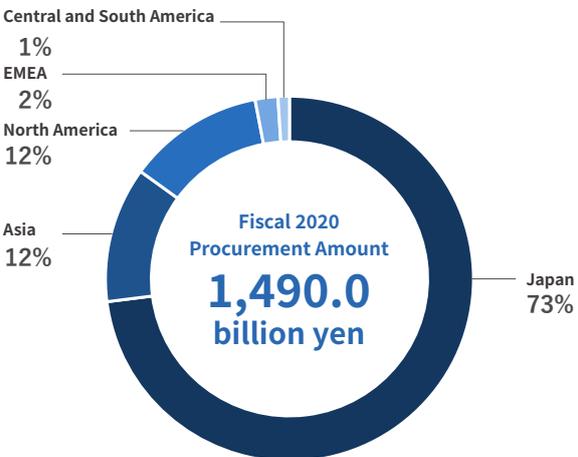


in Supply Chains” and began to acquire signed agreement of “Declarations of Responsible Business Conduct in Supply Chains” from our suppliers. As of March 31, 2021, we have obtained declarations from over 7,000 suppliers in Japan and abroad, including existing suppliers, accounting for 68% of the total procurement amount. Furthermore, we have made it mandatory to acquire declarations at the start of new transactions.

### Procurement Amount and Ratio by Region

The graph on the right illustrates the procurement amount and percentage composition by region. Japan accounts for 73% of the total procurement amount; Asia accounts for 12%; North America 12%; EMEA (Europe, the Middle East, and Africa) 2%; and Central and South America 1%.

NEC designates critical suppliers as suppliers that account for a large procurement amount, suppliers of rare products, and suppliers that cannot be easily replaced and engages in sustainable procurement measures, centered on these suppliers.



Scope: NEC Corporation and consolidated subsidiaries

Note: Based on location of suppliers' headquarters

## Document Checks and Feedback on Evaluation Results

To date, we have conducted document checks using the sustainable procurement self-check sheets for our efforts toward the priority risks of “human rights” and the “environment.” In fiscal 2021, we expanded the inspection themes of our document checks to include occupational health and safety and fair trade and increased the number of questions from 69 to 151.

We received responses from 696 companies, mainly critical suppliers, and evaluated the status of each supplier’s efforts on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: score rate and critical points.\*

We issued a feedback sheet to all of the suppliers that responded, indicating their score for each inspection theme and a comparison with the average score for each product type, and shared the evaluation results with them. In addition, regarding the 36 suppliers for which we deemed to have potential risks, we created opportunities to communicate with such suppliers on an individual basis and completed efforts to ascertain the conditions of these suppliers and provide improvement guidance in the first half of fiscal 2022.

\* Critical points are questions that NEC has identified as potential risks in light of the Guidelines for Responsible Business Conduct in Supply Chains, issued by NEC in July 2020, and other regulations, if initiatives remain unaddressed.

Evaluation Categories	Criteria	Description
<b>A</b>	Score rate between 80% and 100%	Implemented outstanding initiatives
<b>B</b>	Score rate between 60% and 80%	Implemented standard initiatives
<b>C</b>	Score rate between 50% and 60%	Implemented initiatives but only for some issues
<b>D</b>	Score rate below 50%	Initiatives themselves are insufficient
<b>Z</b>	Unable to clear critical points	Risks expected

### NEC Awarded the Highest Rating for Supplier Engagement by the CDP

NEC has been acknowledged on the Supplier Engagement Leaderboard, the highest rating in the Supplier Engagement Rating\* conducted by the CDP, an environmental NGO.

NEC has received an A List rating for Climate Change and Water Security, which makes a total of three categories in which NEC achieved a top rating in 2020. We recognize that our various efforts to aim for zero CO<sub>2</sub> emissions from supply chains under NEC’s long-term environmental goal, Course of Action for Climate Change Toward 2050, have been highly evaluated. Going forward, we will promote climate change action throughout the entire supply chain through cooperation and co-creation with suppliers.

\* The Supplier Engagement Rating examines a company’s initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain and gives a rating based on these efforts.



## Responding to the Modern Slavery Acts

With approval from the Board of Directors, since fiscal 2019 NEC Corporation and NEC Europe have published a declarative statement to the effect that they will report on measures in relation to the United Kingdom’s Modern Slavery Act 2015, which is aimed at preventing slave labour and human trafficking.

Further, in fiscal 2021, based on the approval of the Board of Directors, NEC Australia Pty Ltd also published a declarative statement of its intention to comply with Australia’s Modern Slavery Act 2018.

NEC Group Statement on Modern Slavery Acts

For more details on our supply chain management, please see page 92 of *Sustainability Report 2021*.

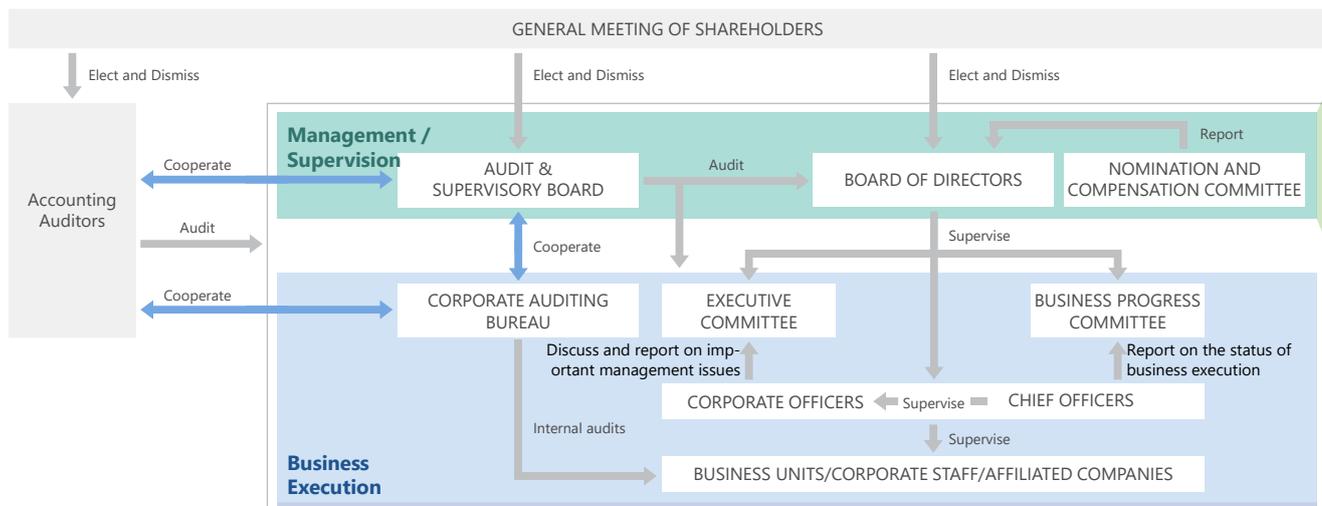
# Corporate Governance

Reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value. Therefore, NEC Corporation (the “Company”) 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 Corporate Governance System

NEC Corporation has adopted the Company with the Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) corporate structure to provide a double-check process: the Board of Directors supervises business execution and the Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) audits the legitimacy and appropriateness of the Company’s decision-making and activities. Furthermore, we have established a hybrid structure by utilizing a corporate officer system and Nomination and Compensation Committee, which we established voluntarily and comprises a majority of Outside Directors. In this way, we separate business execution from the supervision of management while striving to ensure management transparency, soundness, and timely decision-making.

In the future, we will continue to focus our efforts on enhancements and improvements of this system in order to realize more effective corporate governance in response to changes in the business environment.



### Business Execution

	Purpose, Activities, and Number of Meetings	Members
<b>Executive Committee</b>	The Executive Committee discusses important NEC Group management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision-making. Number of Meetings in Fiscal 2021: 16	Around 20 corporate officers
<b>Business Progress Committee</b>	The Business Progress Committee deliberates and reports on matters related to the status of the NEC Group’s business execution, such as monitoring progress with respect to budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency. Number of Meetings in Fiscal 2021: 12	Corporate officers and general managers of business units, and others

## Management and Supervision

### Purpose, Activities, and Number of Meetings

### Members

#### Board of Directors

The Board of Directors holds regular meetings once a month as a general rule and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans, and financing and investment, as well as matters concerning business plans.

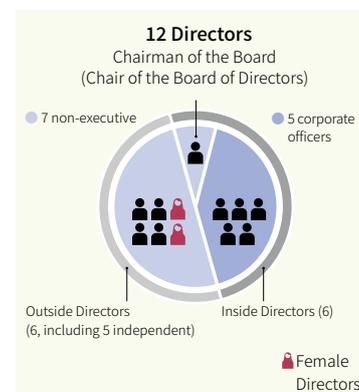
#### Main Matters Discussed in Fiscal 2021 (Number of Meetings: 15)

##### Items Related to Management Policies and Management Strategy

- Proposals for the Mid-term Management Plan 2025
- Capital and business alliances
- Technology and intellectual property strategy for business expansion
- Acquisition-based business expansion strategy
- Global 5G strategy
- DX strategy for the "new normal"
- Measures for cyber security
- Marketing strategy
- Activities to promote sustainability (materiality, the environment, human rights initiatives, etc.)
- Human resources strategy

##### Items Related to Governance

- Report on internal auditing
- Report on the status of implementation of the internal control system (including Priority Risks)
- Evaluation of the effectiveness of the Board of Directors
- Candidate selection for Directors and A&SBMs
- Sale of cross-shareholdings



#### Nomination and Compensation Committee

The Nomination and Compensation Committee deliberates on the nomination of Directors, A&SBMs, the Chairman of the Board and Vice Chairman of the Board, and the President (including succession planning for the President), and on the structure and level of compensation for Directors and corporate officers from an objective, transparent, and fair perspective, reporting the results of its deliberations to the Board of Directors.

#### Main Matters Discussed in Fiscal 2021 (Number of Meetings: 9)

##### Nomination-related

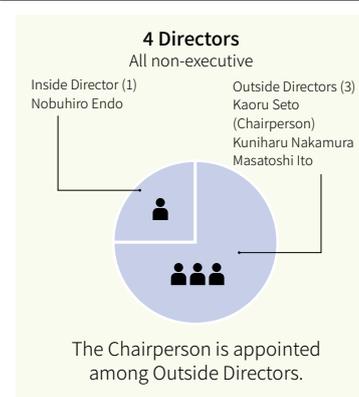
- Nomination of Directors, A&SBMs, and important corporate officers
- Succession planning for the President
- Strengthening of the Board structure

##### Compensation-related

- Decision on bonus payment for Directors
- Decision on additional trust, and monitoring of operations (payment status) in the stock compensation system
- Monitoring of payment amounts to Directors based on remuneration system

##### Focus Discussion Items

- Succession planning for the President: Succession according to succession selection flow
- Strengthening of the Board structure and succession planning for Outside Directors: Discussions about the strengthening of the Board structure and role; creation of rules for succession planning for Outside Directors



### Overview of NEC's Succession Plan



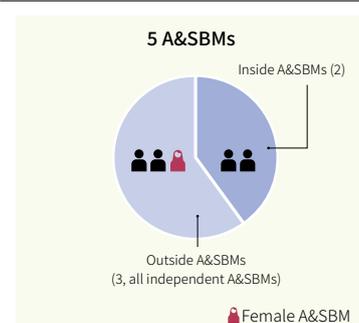
We secure human resources with high potential to form a Companywide pool of human resources, giving consideration to diversity, including people from all social strata, women, foreign nationals, and young people. We select and train suitable human resources to be future presidents and executives.

#### Audit & Supervisory Board (KANSAYAKU-KAI) ("A&SB")

The Audit & Supervisory Board holds regular meetings once a month as a general rule and extraordinary meetings as necessary, and decides on audit policies, standards, the annual auditing plan, and other matters and receives status reports on audits and on other matters from each A&SBM.

#### Main Activities in Fiscal 2021 (Number of Meetings: 17)

- Creation of audit policy and plan
- Discussion and drafting of audit report
- Matters related to the selection and dismissal of accounting auditor
- Confirmation of establishment and implementation of internal control system
- Exchange of opinions with the President regarding priority management issues
- Receipt of oral reports on audits from the accounting auditor and the Corporate Auditing Bureau
- Evaluation of the effectiveness of the A&SB



In appointing Directors and A&SBMs, when an appointee serves as a Director or A&SBM of other public companies, it is desirable that the number of concurrent positions does not exceed the numbers specified as follows:

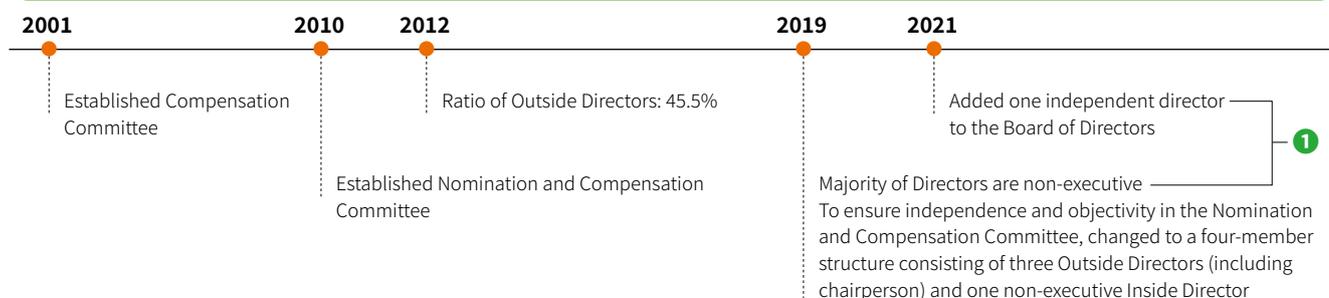
- When an appointee serves as an executive of NEC Corporation or another company: Only one company in addition to the company where the appointee serves as an executive
- In cases other than the above: Up to four companies in addition to NEC Corporation

However, if a Director or A&SBM serves in multiple roles concurrently at group companies of NEC Corporation or another listed company, the concurrent roles within the group companies shall be deemed as roles in one company.

## Corporate Governance

## Main Initiatives for Strengthening Corporate Governance

## Strengthen Management and Supervisory Functions



## 1 Enhancements to the Board of Directors System

In fiscal 2021, the Nomination and Compensation Committee engaged in heavy deliberations focusing on measures aimed at enhancing the structure and role of the Board of Directors in order to improve corporate value further. After defining the career skills of the Board of Directors needed as a whole and evaluating the Board's current composition, it became clear that it was necessary to strengthen corporate governance and deepen multifaceted discussions on Companywide strategies at Board meetings. In response, we have added one independent outside director from fiscal 2022. This increase in the number of independent outside directors, who possess specialized experience and knowledge in risk management, sustainability, and global management, is aimed at increasing the diversity and the proportion of

independent directors among the Board and promoting deeper discussion during Board meetings. This increases the proportion of independent directors, women, and foreign nationals on NEC's Board of Directors, raising its overall independence and diversity.

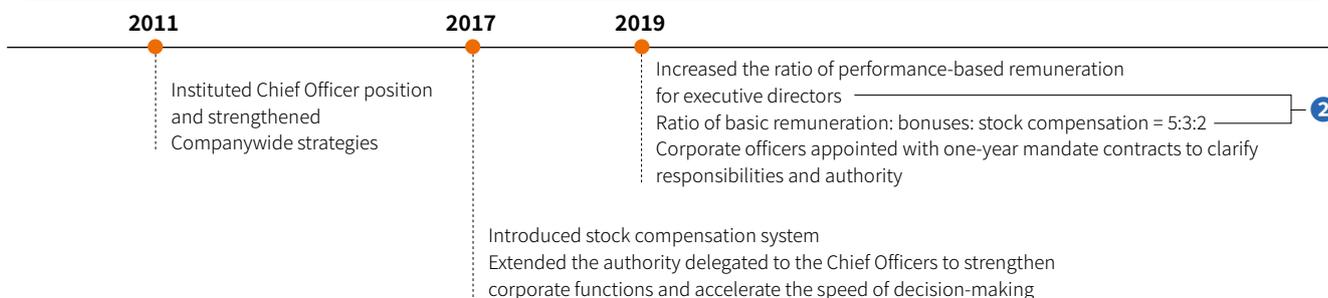
		After strengthening
Independent	36%	42%
Non-executive	55%	58%
Female	9%	17%
Foreign national	0%	8%

## Evaluation of Career Skills of the Board of Directors

		Years served as Director	Corporate management	Technology	Global business	Financial accounting M&A	Risk management	Sustainability ESG	Marketing
Chairman of the Board	Nobuhiro Endo	12	●	●	●	○	●	●	●
Vice Chairman of the Board (Representative Director)	Takashi Niino	10	●	●	○	○	●	●	●
President and CEO (Chief Executive Officer) (Representative Director)	Takayuki Morita	5	●	○	●	●	●	●	●
Senior Executive Vice President and Member of the Board	Norihiko Ishiguro	3		○	●	○	○	●	○
Executive Vice President, CHRO (Chief Human Resources Officer) and Member of the Board	Hajime Matsukura	4	○	○	○	●	●	●	○
Executive Vice President, CTO (Chief Technology Officer) and Member of the Board	Motoo Nishihara	2		●	●	○	○	○	○
Member of the Board	Kaoru Seto	3	●		○	○	●	●	●
Member of the Board	Noriko Iki	3	●		●		●	●	
Member of the Board	Masatoshi Ito	2	●		●	○	●	●	●
Member of the Board	Kuniharu Nakamura	2	●		●	○	●	●	●
Member of the Board	Jun Ohta	1	●	●	●	●	●	●	●
Member of the Board	Christina Ahmadjian	—	○		●	○	●	●	○

○ Areas in which Director has deep insight ● Areas in which Director has extensive experience in addition to deep insight

**Strengthen Execution Structure and Revise Remuneration for Directors and A&SBMs**



**2 Revisions to Remuneration for Directors and A&SBMs**

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 serves 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 upon the results of a third-party’s investigation regarding the

remuneration levels of other companies whose business contents and scale are similar to those of the Company.

In 2017, we introduced the stock compensation system, and in 2019, we increased the ratio of performance-based remuneration for executive directors. The ratio of bonuses and performance-based stock compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

Basic Remuneration	Bonuses	Stock Compensation
<ul style="list-style-type: none"> <li>Basic Remuneration</li> <li>Fixed remuneration paid monthly</li> <li>For some executive directors, basic remuneration increases or decreases based on performance (performance indicators include non-financial indicators such as practical implementation of the NEC Way and our “materiality”—priority management themes from an ESG perspective).</li> </ul>	<ul style="list-style-type: none"> <li>Bonuses</li> <li>Short-term incentive</li> <li>Bonuses are performance based and the payment rate is from 0% to 200%.</li> <li>Bonuses consist of a Group-wide performance-based component and a business-unit performance-based component. The ratio between these two components is determined for each job title.</li> <li>Indicators for Group-wide performance-based component:                             <ul style="list-style-type: none"> <li>NEC Group’s consolidated revenue, operating income, and free cash flows</li> </ul> </li> <li>Budget indicators for business-unit performance-based component:                             <ul style="list-style-type: none"> <li>Consolidated revenue, operating income, and free cash flows, etc., for the business units overseen by each Director</li> </ul> </li> <li>Mid-term plan indicators for business-unit performance-based component:                             <ul style="list-style-type: none"> <li>Set for individual Directors</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Performance-based Stock Compensation</li> <li>Medium- to long-term incentive</li> <li>Stock compensation is performance based and the payment rate is from 0% to 100%.</li> <li>Indicators:                             <ul style="list-style-type: none"> <li>NEC Group’s consolidated revenue, adjusted operating profit, and adjusted net profit attributable to owners of the parent in the applicable fiscal year</li> </ul> </li> <li>Fixed Stock Compensation</li> </ul>

- Non-executive Inside Directors do not receive bonuses.
- Outside Directors and inside and outside A&SBMs are only entitled to basic remuneration.
- Shares from stock compensation are granted after three years from the beginning of the applicable period.
- Under the stock compensation system, provisions have been included that allow NEC Corporation to take action in cases where compliance breaches or inappropriate accounting treatment have been confirmed. In such cases, NEC Corporation may withhold all or part of the rights to receive a grant of NEC Corporation’s shares prior to the granting of NEC Corporation’s shares; or after the granting of NEC Corporation’s shares, NEC Corporation may demand the return of all or part of the granted shares of NEC Corporation.

For more details on remuneration for Directors and A&SBMs, please refer to NEC’s *Corporate Governance Report*.

## Corporate Governance

## Amounts of Remuneration for Fiscal 2021

	Basic Remuneration		Bonuses		Performance-Based Stock Compensation		Fixed Stock Compensation	
	Headcount	Total amount (in millions of yen)	Headcount	Total amount (in millions of yen)	Headcount	Cost posting relating to stock compensation (in millions of yen)	Headcount	Cost posting relating to stock compensation (in millions of yen)
<b>Directors</b> (of which Outside Directors)	12 (6)	400 (60)	5 —	184 —	6 —	126 —	6 —	42 —
<b>A&amp;SBMs</b> (of which Outside A&SBMs)	6 (4)	96 (36)	— —	— —	— —	— —	— —	— —

Among the above recipients, the following has a total remuneration amount of 100 million yen or higher.

Takashi Niino: Total remuneration amount: 134 million yen (basic remuneration: 78 million yen; bonus: 57 million yen)

## Guidelines on Officer Ownership of NEC Corporation Shares

NEC Corporation has established “Guidelines on Ownership of Company Shares” for Directors (excluding Outside Directors) and corporate officers regarding the holding of more than a certain number of shares.

## Continuing to Increase and Improve Effectiveness

NEC Corporation conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year to improve effectiveness further.

The following is a summary of the evaluation of the effectiveness of the Board of Directors for fiscal 2021.

<b>Procedure of the analysis and evaluation</b>	<p>To further increase effectiveness of the Board of Directors, the Company conducted a questionnaire and individual interviews targeting all members of the Board of Directors and the A&amp;SBMs in order to elicit opinions on the items listed below. After identifying issues and points of improvement through this process, plans for improvement going forward were deliberated at an ordinary Board of Directors held in February 2021.</p> <ol style="list-style-type: none"> <li>1) Regarding the role and functions of the Board of Directors</li> <li>2) Regarding more effective use of Outside Directors’ insights and opinions</li> <li>3) Regarding the NEC Group’s corporate governance system</li> </ol>
<b>Summary of the evaluation results</b>	<ol style="list-style-type: none"> <li>1) Regarding the roles and functions of the Board of Directors The Board of Directors fulfills its role appropriately and performs its functions sufficiently, which include deliberations regarding broad, Companywide management strategies and corporate governance. The Company needs to consider improvements in line with such points as the use of Outside Directors’ insights and opinions and selection of themes for deliberation based on changes in the external environment and their impacts and risks.</li> <li>2) Regarding more effective use of Outside Directors’ insights and opinions While it has been useful to clarify the expected role of Outside Directors in fiscal 2020, the Company needs to consider improvements such as further enhancement of information provision for Outside Directors and investigation of more effective deliberation formats according to themes (off-site meetings, etc.).</li> <li>3) Regarding the NEC Group’s corporate governance system The current corporate governance system was deemed appropriate overall; however, it is important for the Company to continue looking into optimal systems based on the ideal direction of the NEC Group. The evaluation also reflected a desire for the Company to consider further strengthening the Board of Directors’ supervisory functions over the medium to long term.</li> </ol>
<b>Initiatives going forward</b>	<ol style="list-style-type: none"> <li>1) Review the management methods of the Board of Directors to better obtain the diverse opinions and advice of Outside Directors, which include measures involving the content and delivery method of information provided to Outside Directors.</li> <li>2) Select themes for deliberation based on the changes in the external environment and their impacts and risks related to the NEC Group.</li> <li>3) Clarify the role of the Board of Directors in building an ideal corporate governance system for the NEC Group, and strengthen the supervisory functions required to fulfill that role.</li> </ol>

In addition, the Company also conducts evaluations of the effectiveness of the Nomination and Compensation Committee and the A&SB.

 For more details on evaluations of the effectiveness, please refer to NEC’s *Corporate Governance Report*.

## Messages from Outside Directors



**Kuniharu Nakamura**  
Outside Director

### Pursuing the Ideal Way for Companies to Foster Human Resources from a Long-term Perspective

This past year has been one of great change in the business environment. As digital transformation gains traction and businesses abroad develop further, I feel that the way a company handles human resources needs to be reframed.

To build a connection between a company and its human resources, the company needs to make its direction clear and create the sense of a common mission. It also needs to ensure that its business contributes toward a sustainable society and that the employees who carry out this business can attach their own goals and dreams to their efforts. What we need to keep in mind when thinking about fostering human resources is what we want NEC to achieve and become in 10 to 15 years' time, and what qualities and capabilities its human resources need to realize these goals. This is something we are always discussing, from both the viewpoint of the Company's strategy and its human resources. When fostering human resources, it is important to clarify what kind of work a person needs to do and what kind of experience a person needs to have in order to acquire these capabilities. It is also important that candidates for leadership are taken from a diverse pool of human resources and are chosen based on whether they have the necessary qualifications, regardless of age, gender, or nationality, whether their qualifications were developed inside or outside the Company, or what field they come from. By securing a breadth of experience, the Company can develop a good set of human resources and build itself into a place where everyone can support each other. There are many excellent people at NEC, but NEC's business could be even bigger if these people could step outside of their own areas of responsibility and understand what is going on in other divisions, and then prompt the various fields involved to compound upon elements of each other. This is no easy task, but you need to work with this sort of plan.

NEC's businesses are changing and will continue to change. I expect that in combining NEC's superior technologies more of its human resources will share in a common vision, and that they will reach across borders to play an active role in achieving this vision. All of this will allow NEC to grow even more.



**Christina Ahmadjian**  
Outside Director

### Emphasizing Diversity and Working to Maximize Corporate Value as a Common Goal

I have spent a lot of time researching corporate governance, business administration, and organizational theory. Looking specifically at organizational reforms for companies, I have also conducted training regarding organizational reforms at Japanese and Western companies. From this experience, I have learned that for a board of directors to be effective, it needs to focus on diversity while making sure its members are working to maximize corporate value as a common goal. To make this possible, the board needs to think from a long-term perspective, utilizing the individual characteristics of each member, thinking of what actions to take going forward, and what issues may arise. The board also needs to ensure mutual respect and shared values to achieve sustainability.

As for the directors that make up the board, just having some kind of managerial experience is not enough. When you look at global tech companies you find examples of women, people of different nationalities, entrepreneurs in their 30s, young tech experts, and other kinds of people flourishing as directors, which goes to show that companies need a set of human resources with a wide range of attributes. In Japan, there are many companies that conduct businesses globally but whose boards of directors are fully composed of Japanese nationals. With this common scenario, it is necessary to increase the number of members with different backgrounds, not only Japanese with overseas experience.

What is more, although there are cases where women and foreign nationals are truly included, in many more cases, the old ways of working do not really change and the only people who are truly accepted are those who fit that traditional mold. It will be difficult to bring in diverse human resources unless companies review this approach and make drastic changes. Japanese companies need to put in the effort in order to achieve this goal of true diversity and inclusion. This requires the proper amount of time to develop people from younger generations and expand the future pipeline of talent.

As a new director, I intend to direct my efforts toward discussing methods to this end during meetings of the Board, providing useful information and training Board members.

## Management That Supports Corporate Value Creation

# Directors and Audit & Supervisory Board Members

(As of July 1, 2021)

## Directors



**Nobuhiro Endo**

Chairman of the Board

Mr. Endo served NEC as President (Representative Director) from 2010 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).



**Takashi Niino**

Vice Chairman of the Board  
(Representative Director)

After being engaged in the management of the financial solutions business and the NEC Group's management strategies, Mr. Niino was appointed as President (Representative Director) in 2016, and appointed as Vice Chairman of the Board (Representative Director) in April 2021, where he continues to be engaged in the management of NEC.



**Takayuki Morita**

President and CEO (Chief Executive Officer)  
(Representative Director)

After being engaged in the management of NEC Group's global business, accounting and financial strategies, management strategies and M&A as Senior Executive Vice President and CFO (Representative Director), Mr. Morita was appointed as President and CEO (Representative Director) in April 2021.



**Kaoru Seto**

Member of the Board  
Special Adviser,  
YAMATO HOLDINGS CO., LTD.

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

Attendance at meetings of the Board of Directors: 15 out of 15  
At meetings of the Nomination and Compensation Committee: 9 out of 9  
(Appointed in June 2018)



**Noriko Iki**

Member of the Board  
President, Japan Institute for Women's  
Empowerment & Diversity Management

Ms. Iki has abundant experience and deep insight in the fields of administration and diplomacy.

Attendance at meetings of the Board of Directors: 14 out of 15  
(Appointed in June 2018)



**Masatoshi Ito**

Member of the Board  
Executive Officer & Chairman of Company,  
Ajinomoto Co., Inc.

Mr. Ito has extensive experience as the manager of a manufacturing business and deep insight into marketing and corporate strategy.

Attendance at meetings of the Board of Directors: 14 out of 15  
At meetings of the Nomination and Compensation Committee: 5 out of 6  
(Appointed in June 2019)

## Directors and Audit & Supervisory Board Members



**Isamu Kawashima**

Audit & Supervisory Board Member (full-time)

Mr. Kawashima has experience as the person responsible for accounting and financial affairs of the Company for many years.



**Nobuhiro Odake**

Audit & Supervisory Board Member (full-time)

After many years of handling NEC's supply chain strategy, Mr. Odake, as a Member of the Board of a Group company, has been supervising its business units and he has a wealth of experience and an extensive track record related to the Group's business.



**Taeko Ishii**

Audit & Supervisory Board Member  
Attorney at Law

Ms. Ishii has a great deal of experience and deep insight as an attorney at law in the fields of personnel affairs, labor, and other areas.

Attendance at meetings of the Board of Directors: 15 out of 15  
At meetings of the Audit & Supervisory Board: 17 out of 17  
(Appointed in June 2018)



**Norihiko Ishiguro**

Senior Executive Vice President and Member of the Board

Mr. Ishiguro has extensive experience and a track record relating to industrial policy and trade policy through his work at the Ministry of Economy, Trade and Industry. In addition, he has been in charge of global business strategy and external relations as Senior Executive Vice President since October 2016.



**Hajime Matsukura**

Executive Vice President, CHRO (Chief Human Resources Officer) and Member of the Board

After being engaged in the management of corporate strategies at corporate departments and in the NEC Group's operational reforms, Mr. Matsukura is now in charge of transforming the NEC Group's culture and human resources strategy.



**Motoo Nishihara**

Executive Vice President, CTO (Chief Technology Officer) and Member of the Board

After being in charge of R&D as a corporate officer, Mr. Nishihara is now responsible for the NEC Group's R&D, business development, and technology strategies.



**Kuniharu Nakamura**

Member of the Board  
Chairman of the Board of Directors, SUMITOMO CORPORATION

Mr. Nakamura has extensive experience and deep insight, including in global business as the manager of a general trading company.

Attendance at meetings of the Board of Directors: 15 out of 15  
At meetings of the Nomination and Compensation Committee: 9 out of 9  
(Appointed in June 2019)



**Jun Ohta**

Member of the Board  
Director President and Group CEO, Sumitomo Mitsui Financial Group, Inc.

Mr. Ohta has extensive experience and deep insight from his years of service in bank management.

Attendance at meetings of the Board of Directors: 12 out of 12  
(Appointed in June 2020)



**Christina Ahmadjian**

Member of the Board  
Professor, Graduate School of Business Administration, Hitotsubashi University

Ms. Ahmadjian has extensive experience and deep insight relating to global corporate strategies, corporate governance, and diversity.

(Appointed in June 2021)



**Nobuo Nakata**

Audit & Supervisory Board Member  
Attorney at Law

Mr. Nakata has extensive experience and deep insight as an attorney at law in the field of corporate law, including M&A.

Attendance at meetings of the Board of Directors: 14 out of 15  
At meetings of the Audit & Supervisory Board: 17 out of 17  
(Appointed in June 2019)



**Masami Nitta**

Audit & Supervisory Board Member  
Certified Public Accountant

Mr. Nitta has experience in corporate management and professional insight as a Certified Public Accountant.

Attendance at meetings of the Board of Directors: 12 out of 12  
At meetings of the Audit & Supervisory Board: 13 out of 13  
(Appointed in June 2020)

Excepting special circumstances, each Director and A&SBM aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year, and each A&SBM aims to have at least 75% attendance at meetings of the A&SB in a single fiscal year. "Attendance" refers to the number of meetings held by the Board of Directors, A&SB, and the Nomination and Compensation Committee that were attended for the fiscal year ended March 31, 2021. Inside Directors, whose attendance is not listed, attended all of the meetings of the Board of Directors; Inside A&SBMs, whose attendance is not listed, attended all of the meetings of the Board of Directors and all of the meetings of the A&SB; and Inside Directors on the Nomination and Compensation Committee, whose attendance is not listed, attended all committee meetings. NEC has notified the Tokyo Stock Exchange of its five independent Directors and three independent Audit & Supervisory Board Members ("A&SBMs"). Independent Directors: Mr. Kaoru Seto, Ms. Noriko Iki, Mr. Masatoshi Ito, Mr. Kuniharu Nakamura, and Ms. Christina Ahmadjian; Independent A&SBMs: Ms. Taeko Ishii, Mr. Nobuo Nakata, and Mr. Masami Nitta

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

**Directors**  
<https://www.nec.com/en/global/about/executives/directors.html>

**Audit & Supervisory Board Members (KANSAYAKU)**  
<https://www.nec.com/en/global/about/executives/auditors.html>

# Cross-Company Corporate Strategy Promotion Framework

(As of July 1, 2021)

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.



**Norihiko Ishiguro**

Senior Executive Vice President



**Akihiko Kumagai**

Senior Executive Vice President



**Atsuo Kawamura**

Executive Vice President  
President of Network Services Business Unit



**Chikara Nakamata**

Executive Vice President  
Chief of Domestic Sales



**Noritaka Taguma**

Executive Vice President  
President of Public Infrastructure Business Unit



**Fumiaki Matsubara**

Executive Vice President  
President of Enterprise Business Unit



**Kunikazu Amemiya**

Executive Vice President  
President of Public Solutions Business Unit



**Yutaka Ukegawa**

Senior Vice President  
President of Cross-Industry Unit



**Kazuhiro Sakai**

Senior Executive Vice President,  
CDO (Chief Digital Officer)



**Chikara Ishii**

Executive Vice President  
President of Digital Services and Engineering Unit  
Chairman of the Board, ABeam Consulting Ltd.



**Hajime Matsukura**

Executive Vice President,  
CHRO (Chief Human Resources Officer)



**Masakazu Yamashina**

Executive Vice President



**Hiroshi Kodama**

Executive Vice President,  
CIO (Chief Information Officer)  
and CISO (Chief Information Security Officer)



**Motoo Nishihara**

Executive Vice President,  
CTO (Chief Technology Officer)  
President of Global Innovation Unit



**Osamu Fujikawa**

Executive Vice President,  
CFO (Chief Financial Officer)



**Toshifumi Yoshizaki**

Executive Vice President  
President of Digital Business Platform Unit



**Kazunori Sudo**

Executive Vice President  
President of System Platform Business Unit



**Makoto Enomoto**

Senior Vice President,  
CMO (Chief Marketing Officer)



**Shinobu Obata**

Senior Vice President,  
CLCO (Chief Legal and Compliance Officer)



**Shigeki Shimizu**

Senior Vice President,  
CSCO (Chief Supply Chain Officer)

# Financial and Non-Financial Highlights

	JGAAP			
	FY2011	FY2012	FY2013	FY2014
Revenue	¥3,115.4	¥3,036.8	¥3,071.6	¥3,043.1
International revenue	479.3	481.5	483.1	569.2
International revenue ratio (%)	15.4	15.9	15.7	18.7
Operating profit	57.8	73.7	114.6	106.2
Adjusted operating profit	—	—	—	—
Adjusted operating profit ratio (%)	—	—	—	—
Net profit (loss) attributable to owners of the parent	(12.5)	(110.3)	30.4	33.7
Adjusted net profit	—	—	—	—
Cash flows from operating activities	33.7	83.9	143.7	94.1
Cash flows from investing activities	(146.2)	(49.7)	(101.7)	(38.9)
Free cash flows	(112.6)	34.2	42.0	55.2
R&D expenses	176.5	162.0	151.7	142.7
Number of patents	Approx. 68,000	Approx. 64,000	Approx. 65,000	Approx. 68,000
Capital expenditures (property, plant and equipment)	52.9	42.0	45.6	98.7
Depreciation (property, plant and equipment)	62.1	53.3	51.2	45.2
Per share data (in yen):				
Net profit (loss) attributable to owners of the parent	(4.82)	(42.44)	11.71	12.99
Cash dividends	0.00	0.00	4.00	4.00
Dividend payout ratio	—	—	34.2	30.8
Total assets	2,628.9	2,557.6	2,581.0	2,505.3
Owner's equity	757.1	657.0	710.7	695.9
Return on equity (%)	(1.6)	(15.6)	4.5	4.8
Owner's equity ratio (%)	28.8	25.7	27.5	27.8
Interest-bearing debt	675.8	692.7	603.5	575.2
Debt-equity ratio (times)	0.89	1.05	0.85	0.83
Number of employees	115,840	109,102	102,375	100,914
Ratio of female managers (%)	—	—	—	—
Ratio of female managers (non-consolidated, %)	4.7	4.9	4.9	5.1
Employee engagement index (%)	—	—	—	—
Improvement in energy efficiency of products (%) (Reduction of total CO <sub>2</sub> emissions when products are used (compared with FY2014))	—	—	—	—
Greenhouse gas emissions (Scope 1 + Scope 2) (thousand tons)	—	—	—	—
Greenhouse gas emissions (Scope 3*) (thousand tons)	—	—	—	—

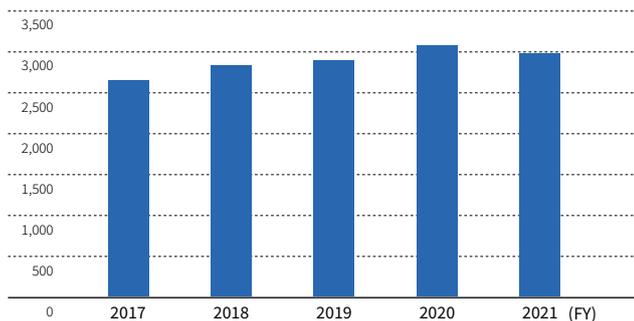
Notes: 1. Net profit (loss) attributable to owners of the parent per share is calculated based on the weighted-average number of shares outstanding during each period.

2. Owner's equity = Equity attributable to owners of the parent

3. The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.

## Revenue

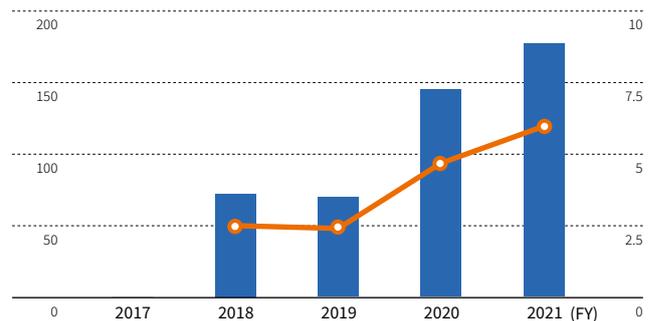
Billions of yen



■ Revenue

## Adjusted Operating Profit / Adjusted Operating Profit Ratio

Billions of yen



■ Adjusted operating profit — Adjusted operating profit ratio

IFRS

(Billions of yen)

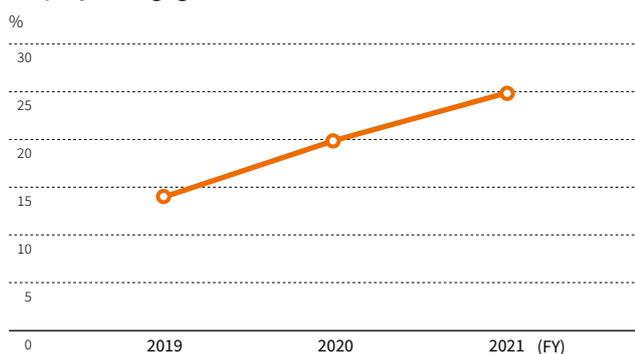
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
	¥2,935.5	¥2,824.8	¥2,665.0	¥2,844.4	¥2,913.4	¥3,095.2	<b>¥2,994.0</b>
	586.8	603.1	571.0	740.2	689.1	752.0	<b>703.2</b>
	20.0	21.4	21.4	26.0	23.7	24.3	<b>23.5</b>
	128.1	91.4	41.8	63.9	57.8	127.6	<b>153.8</b>
	—	—	—	72.5	69.9	145.8	<b>178.2</b>
	—	—	—	2.5	2.4	4.7	<b>6.0</b>
	57.3	75.9	27.3	45.9	39.7	100.0	<b>149.6</b>
	—	—	—	50.4	47.0	111.2	<b>165.4</b>
	87.9	97.8	92.5	130.0	64.2	261.9	<b>274.9</b>
	(47.5)	(32.2)	6.4	(14.2)	(76.7)	(84.0)	<b>(122.5)</b>
	40.4	65.6	99.0	115.8	(12.4)	177.8	<b>152.4</b>
	134.2	123.6	109.3	108.1	108.1	109.8	<b>114.6</b>
	Approx. 65,000	Approx. 53,000	Approx. 53,000	Approx. 51,000	Approx. 49,000	Approx. 47,000	<b>Approx. 46,000</b>
	37.4	36.3	31.5	45.4	62.7	67.4	<b>57.6</b>
	48.5	50.5	49.9	63.8	64.4	123.4	<b>122.8</b>
	22.05	29.22	10.51	176.54* <sup>1</sup>	152.75* <sup>1</sup>	385.02* <sup>1</sup>	<b>557.18*<sup>1</sup></b>
	4.00	6.00	6.00	60* <sup>1</sup>	40* <sup>1</sup>	70* <sup>1</sup>	<b>90*<sup>1</sup></b>
	18.1	20.5	57.1	34.0	25.8	18.2	<b>16.2</b>
	2,620.7	2,528.9	2,684.0	2,821.4	2,963.2	3,123.3	<b>3,668.6</b>
	823.7	769.8	854.3	880.8	858.9	910.7	<b>1,308.2</b>
	7.5	9.5	3.4	5.3	4.6	11.3	<b>13.5</b>
	31.4	30.4	31.8	31.2	29.0	29.2	<b>35.7</b>
	520.8	479.5	466.9	520.7	552.5	675.4	<b>702.9</b>
	0.63	0.62	0.55	0.59	0.64	0.74	<b>0.54</b>
	98,882	98,726	107,729	109,390	110,595	112,638	<b>114,714</b>
	—	—	—	—	7.8	7.8	<b>9.2</b>
	5.2	5.4	5.5	5.8	5.9	6.4	<b>7.2</b>
	—	—	—	—	14	20	<b>25</b>
	—	—	17	35	74	71	<b>65</b>
	—	—	350	338	329	373	<b>327</b>
	—	—	7,410	7,606	7,585	6,996	<b>6,158</b>

\*1 The amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.

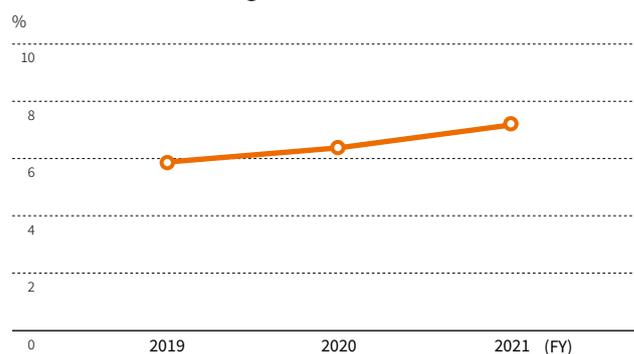
\*2 Scope 3 emissions from fiscal 2018 to fiscal 2020 have been adjusted to reflect a revision of the coefficient for Scope 3 Category 1 emissions.

For more detailed non-financial data, please refer to the section “Data Collection” in *Sustainability Report 2021*.

Employee Engagement Index



Ratio of Female Managers (Non-Consolidated)

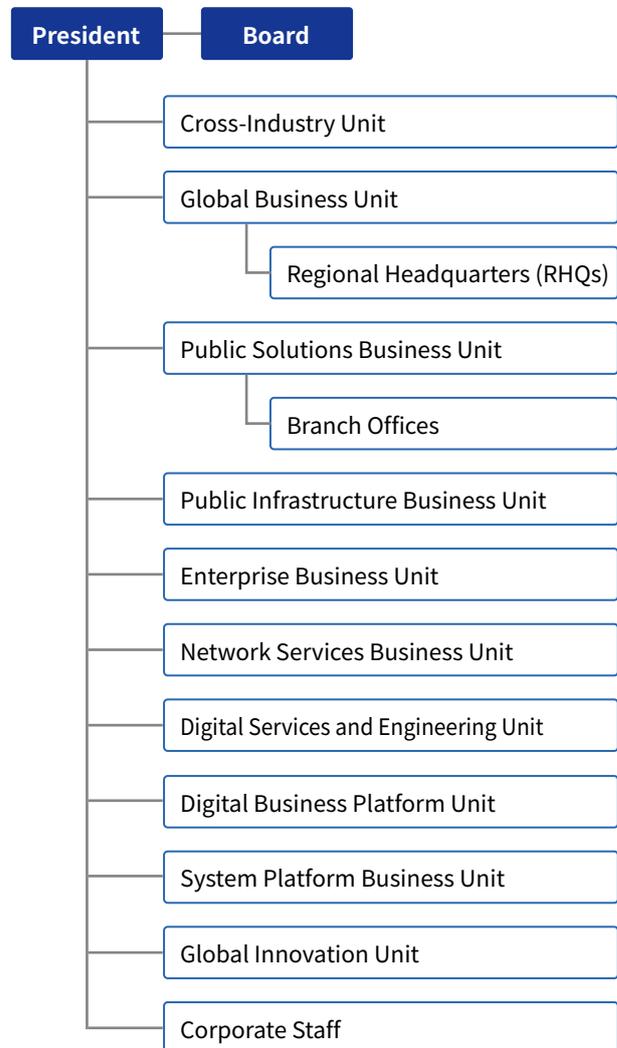


## Corporate Data

## Corporate Overview

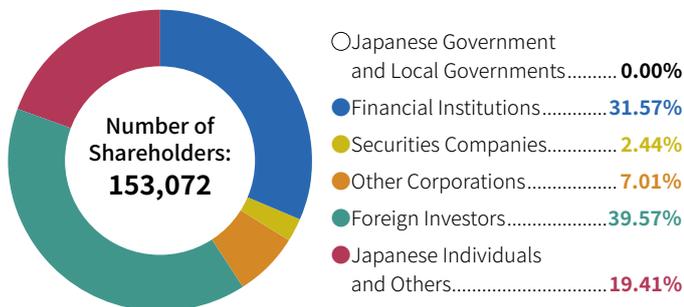
<b>Company Name</b>	NEC Corporation
<b>Address</b>	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
<b>Established</b>	July 17, 1899
<b>Number of Employees</b> (As of March 31, 2021)	114,714 (NEC Corporation and consolidated subsidiaries)
<b>Total Number of Shares Issued</b> (As of March 31, 2021)	272,849,863 shares
<b>Stock Exchange Listing</b>	Tokyo (Securities Code: 6701)
<b>Shareholder Register Administrator</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

## Organization Chart



## Classification of Shareholders (Shareholding Ratio)

(As of March 31, 2021)



## Major Shareholders (Top 10)

(As of March 31, 2021)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,945	9.14
Custody Bank of Japan, Ltd. (Trust Account)	16,606	6.09
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	13,023	4.77
STATE STREET BANK WEST CLIENT – TREATY 505234	5,649	2.07
Sumitomo Life Insurance Company	5,600	2.05
Custody Bank of Japan, Ltd. (Trust Account No. 7)	5,381	1.97
NEC Employee Shareholding Association	4,231	1.55
GOVERNMENT OF NORWAY	4,158	1.52
Custody Bank of Japan, Ltd. (Trust Account No. 5)	3,895	1.43
Custody Bank of Japan, Ltd. (Trust Account No. 4)	3,604	1.32

## Investor Relations

<https://www.nec.com/en/global/ir>

Posted on the NEC Investor Relations (IR) website are IR presentation materials and other documents, NEC's financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance its disclosure on this website.

**Division in Charge**  
Investor Relations Office, Corporate Finance & Global Treasury Division

## Sustainability

<https://www.nec.com/en/global/csr/>

The above link offers further details of NEC's approach to management for sustainability based on ESG, *Sustainability Report 2021*, and related information.

**Division in Charge**  
Sustainability Promotion Division

## Evaluation by External Parties (As of July 2021)

NEC is included in world-renowned ESG indices.

### Dow Jones Sustainability Indices (DJSI)



### FTSE4Good Index Series



### MSCI ESG Leaders Indexes



THE INCLUSION OF NEC Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEC Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

### Daiwa Investor Relations Internet IR Grand Prize 2020



**Nikko Investor Relations**  
2020 Overall Ranking of Corporate Websites for Listed Japanese Companies

### Euronext Vigeo World 120



### STOXX Global ESG Leaders Index



### ISS ESG Corporate Rating



### CDP (Climate Change, Water Security, and Supplier Engagement)



### EcoVadis



## 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 the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors. The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- the recent outbreak of the novel coronavirus;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2021 and 2022 were referred as FY21/3 and FY22/3 respectively. Any other fiscal years would be referred similarly.

### Trademarks

- NEC is a registered trademark of NEC Corporation in Japan and other countries.
- All other names may be trademarks of their respective owners.

## **NEC Corporation**

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