Integrated Report

2022
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.

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 aims to realize social value creation based on its Purpose. To accomplish this, we need to think deeply about how society can ensure that everyone will have the chance to reach their full potential. In our view, people find themselves in a three-layered domain, consisting of the Environment layer, the foundation for all activities; the Society layer, where national and local governments operate and economic activity takes place; and the Life layer, which covers our daily lives. Society is further subdivided into three scenarios: City, the setting for people’s activities; Communication, which links people and things; and Business, which supports industry and society and provides people with a means to fulfill their purpose. Together with Environment and Life, this gives us five future visions of society to aspire to.

**NEC 2030VISION**

NEC aims to realize social value creation based on its Purpose. To accomplish this, we need to think deeply about how society can ensure that everyone will have the chance to reach their full potential. In our view, people find themselves in a three-layered domain, consisting of the Environment layer, the foundation for all activities; the Society layer, where national and local governments operate and economic activity takes place; and the Life layer, which covers our daily lives. Society is further subdivided into three scenarios: City, the setting for people’s activities; Communication, which links people and things; and Business, which supports industry and society and provides people with a means to fulfill their purpose. Together with Environment and Life, this gives us five future visions of society to aspire to.

**Environment**

Living harmoniously with the earth to secure the future

- Realization of a decarbonized society
- Implementation of global warming countermeasures
- Guaranteeing food and water security

**Society**

Nurturing prosperous cities with inclusive and harmonious societies

- Achieving efficient operation of cities that support consumers and services optimized for individuals

• Democratizing the use of data in cities
• City without traffic congestion or accidents through dynamic mobility

**Communication**

Sharing hopes that transcend time, space, and generational boundaries

- Fostering shared wisdom and empathy through rich communication that transcends time, space, language and generational barriers

• Free and equal communication services
• Safe and secure cyberspace
• Communication across linguistic frontiers

**Business**

Creating sustainable societies by shaping new industries and workstyles

- Realization of a resilient environment that allows for creative self-realization through diverse workstyles and work objectives

• Social stability through data democratization
• Government services to meet consumer needs
• Closing the gap in employment opportunities

**Life**

Bringing people together and filling each day with inspiration

- Realizing exciting lifestyles in real and virtual worlds that meet the diverse values of consumers

• Fostering mental and physical well-being and long life
• Improving daily habits
• Free and open learning opportunities

Please visit the following URL to watch a promotional video for the NEC 2030VISION.

NEC Initiatives for Contributing to the Achievement of the SDGs
In 2005, NEC became a signatory to the United Nations Global Compact, a global initiative aimed at sustainable growth for society and companies. We are now promoting corporate activities based on the Ten Principles of the UN Global Compact pertaining to the four fields of human rights, labour, the environment, and anti-corruption, which align with "uncompromising integrity and respect for human rights," one of the Principles of the NEC Way. Moreover, each and every member of the NEC Group, from officers to employees, performs their day-to-day activities based on the NEC Group Code of Conduct.
Furthermore, based on the Ten Principles of the UN Global Compact, the SDGs pledge that "no one will be left behind" is aligned with the NEC Purpose, "to promote a more sustainable world where everyone has the chance to reach their full potential."
Information and communications technology (ICT) has the potential for responding to a variety of issues. Therefore, we believe that we can contribute significantly to all of the targets set out in the SDGs by drawing on our leading-edge technologies in such fields as AI (biometrics, etc.) and 5G, as well as our competence in R&D and implementation as we engage in dialogue and co-creation with a range of stakeholders.

NEC 2030VISION and Areas of Contribution (Fiscal 2022 and Onward)
In particular, we take hints from the SDGs to point out the issues and challenges facing society and use the SDGs as a guide when setting targets for creating social value—which we aim to do through our business—and also for managing progress.

NEC 2030VISION Areas of Contribution

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Editorial Policy
NEC has published annual reports containing both financial and non-financial information since 2013. Starting in 2018, upon having defined its “Materiality,” NEC changed the name of its annual report to “Integrated Report.”
Integrated Report 2022 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 as well as NEC’s culture.
The “Messages 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’s implementation of NEC’s “Purpose,” and features a roundtable discussion with employees from one of NEC’s Group companies, Denmark-based KMD Holding A/S, 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.

Other Related Information
• Earnings Releases / Annual Securities Report
• Corporate Governance Report
• Sustainability Report
• Information Security Report
Our work to achieve our Purpose—work that combines strategy and culture—will show the world that NEC delivers on its promises.

Takayuki Morita
President and CEO
Message from the President

Resolving Long-running Issues

In May 2021, the NEC Group unveiled its NEC 2030VISION and its Mid-term Management Plan 2025, which covers the period from fiscal 2022 to fiscal 2026. Working on measures that derive from both over the past year has given me renewed confidence in our long-term goals and where our medium-term efforts are leading us.

In 2018, when I was CFO of NEC, I was breaking down our progress with the Mid-term Management Plan 2020 to an investor, and I could recall his reaction like it was yesterday. He said to me, quite frankly, “you have been unable to deliver on any plans so far, so there is no reason to trust this one.” That episode made me deeply aware of the weight my words held when I communicated something to the market, and I realized that we needed a specific and convincing message to regain this trust going forward. By the end of the Mid-term Management Plan 2020, we achieved record-high profits and exceeded targets set under the plan. However, the previous plans had missed their targets, and behind these misses were long-running issues for NEC.

Around the 2000s, NEC’s net sales and operating profit began to decline. We responded by trying to be at the top in every area we had expanded to by that time—semiconductors, computers, mobile phones, large storage batteries, to name a few. We ended up withdrawing from areas we could not expect success. We had neglected to make a close examination of success scenarios, which would have required us to ascertain the competitive environment and our strengths and anticipate the type of investments needed as well as the timing and degree of returns according to the type of business and product life cycles. We should have used this information to narrow down our efforts to a few priority fields. Put more simply, we had not taken the care to integrate our business strategy with our financial strategy. This has been an important issue for us to tackle.

One of NEC’s fundamental challenges has been converting its superior technology into value. NEC has built up a collection of extremely unique technologies in the process of building and operating numerous mission-critical core systems in Japan. We currently possess technologies in areas such as security, biometrics, and AI that can compete on the global stage. These technologies, and others, refined over a 120-year history, are invaluable assets. However, if we cannot commercialize them in a way that creates social value and generates profits, we will no longer be able to develop technology, and if we rely on customers to convert technology into value for us, then NEC has no reason for being.

We have had other issues as well. For instance, each business unit pursued short-term profits, even if it meant losing out on profits over the long term. Moreover, these divisions followed a period-centric and unit-centric approach to profit and loss that stressed unit profits over overall value for NEC. In addition, we have been lacking the ability to take action.

The NEC 2030VISION and the Mid-term Management Plan 2025 incorporate our awareness of these issues to create a concrete and logical message of growth that we can convey to investors.

Seizing the Future Together

The Mid-term Management Plan 2025 serves as NEC Corporation’s commitment to shareholders as a company entrusted with management of the NEC Group to deliver results within a certain time frame. Needless to say, this calls for proper accounting. To make good on our promises when the future is unclear requires a clear understanding of our direction from a long-term perspective and measures that will achieve our goals. Because of this, we have switched from a three-year plan to a five-year plan. It takes at least five years of operating a business to recover an investment, so a five-year period also makes sense when trying to eliminate the aforementioned period-centric approach to profit and loss.

On the other hand, the NEC 2030VISION is rooted in efforts that are not bound by the same time constraints. While the year “2030” is in the name, this time frame is not set in stone. There is a good reason for this. When you apply the constraints of time and resources to your understanding of technological changes or the degree to which you can demonstrate your capabilities and create social value, you also place constraints on the scale and boldness of your ideas.

In the 2010s, NEC was in a life-or-death situation. The management team, myself included, found ourselves in discussion after discussion regarding NEC’s reason for being. We determined that our reason for being was “the creation of the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.” In 2013, we declared our intention to become a Social Value Innovator. In April 2020, we redefined the NEC Group’s common set of values that form the basis for how the Group conducts itself as the NEC Way. We also set this reason for being as the NEC Group’s Purpose under the brand statement “Orchestrating a brighter world.” Major social changes brought on by COVID-19, environmental problems, and emerging geopolitical risks have reaffirmed the validity of this Purpose, but in addition to employees, who are a given, we need to get customers, business partners, and society as a whole onboard so that we can “seize the future together” and bring this Purpose to fruition. The NEC 2030VISION provides a logical, plausible, and specific presentation of NEC’s vision for future society. The direction of the NEC 2030VISION was determined by three beacons—“Environment,” “Society,” and “Life”—and fueled by the strengths we have utilized to support social infrastructure around the world. Furthermore, as a signatory to the UN Global Compact, we believe achieving this vision will help achieve the SDGs set by the United Nations.

Combination of Strategy and Culture

Ever since I was young, I have always tried to express myself frankly and honestly. Of course, such candor can sometimes backfire and cause things to run away, but I believe there are many more cases where the ambiguity of things left unsaid creates distrust. After over 50 M&As and other dealings that include business transfers and the establishment and dissolution of joint ventures, I believe I have learned that the act of internalizing the other party’s point of view and honestly stating whether you believe something is correct or not goes a long way toward building mutual trust, and this is true regardless of the nationality. Now that I am a part of senior management, I try to maintain this same frankness with employees.

It goes without saying that business and financial strategies are an important part of corporate management, but it is just as important to have a corporate culture that creates, supports, and retains highly driven personnel. These personnel are the source of our growth potential, and each and every one of them, as well as management, needs to be in alignment with NEC’s forward vector to ensure that it can become a Social Value Innovator that takes advantage of its superior technology. It is for this reason that the Mid-term Management Plan 2025 is focused on combining culture and strategy, and it is through such efforts that it gives life to the shared values laid out in the NEC Way.

Human Resources and Engagement Score

On the point of culture, we have placed our focus on communication with employees and have positioned the engagement score as a key performance indicator (KPI), and are aiming for a score of 50% by fiscal 2026. To that end, we have held two-way town hall meetings that any employee can take part in. At these meetings, I give my honest opinions, delivered in my own
words, on a variety of topics, such as what kind of company I would like NEC to become, and how I try to carry myself. I also try to keep my speeches as short as possible so that most of the time can be devoted to fielding questions. Some of the questions are hard to answer, but I try to be forthright and express my thoughts on any question that comes my way. It is difficult to mobilize all employees in the same direction, but I feel that the number of employees taking our words to heart and making a sincere attempt to understand this direction is gradually rising. In fiscal 2022, we held 10 such meetings in Japan, with over 10,000 participants each time, and 26 times abroad. Our engagement score reached 35%, a 10-point increase from the previous fiscal year, which is a good start on the path toward our fiscal 2026 goal.

In addition to these dialogues, we are also working to devise ways to shift culture. This includes efforts to bolster diversity as a source of innovation, implement workstyle reforms supporting diverse talent, and enhance talent management by cultivating leaders and DX talent. I have heard that NEC used to embrace the phrase “silence is golden.” However, I would like to install a culture of “speaking up,” where people can express their opinions honestly, act on their own initiative, and receive their due recognition, as this will increase NEC’s ability to take action.

Integrating Our Business and Financial Strategies

The integration of our business and financial strategies is clearly set as a policy within the Mid-term Management Plan 2025 in recognition of its importance. I have also set a financial policy of maximizing long-term profit and optimizing short-term profit. This policy is based on my experience in handling several M&As, in which corporate value is a measure of the lifetime cash flow of a business.

When it comes to pulling ahead of international competition and increasing the value of our businesses in the long term, I consider M&As to be one of the most important tools at our disposal. They serve as a complement to NEC’s assets, customer base, know-how, and other aspects of the Group. Under the previous mid-term management plan, we invested over ¥450 billion in M&As, acquiring three European companies including KMD Holding A/S (KMD), Denmark’s largest IT company. Since M&As are not an objective in and of themselves, we have not set a specific investment cap. Instead, our policy is to maintain the capacity to make investments on the same scale by continuously generating free cash flow. When we conduct M&As, we are also careful to select candidates that are in line with our investment strategy and show the potential to generate cash. In keeping with these policies, we have set EBITDA growth as a particularly important KPI for the Company. In addition, we will prioritize the allocation of management resources toward growth businesses—including Digital Government/Digital Finance, global 5G, core DX, and businesses primed to be future pillars of NEC—and thereby spur sales and profit growth worldwide, including Japan. Growth businesses need upfront investments to become future pillars of a company. Since the amount of time to recover this investment differs from business to business, our policy is to make optimal investments that will generate the maximum amount of profit from a long-term perspective, and then monitor these investments using internal rate of return (IRR) and other KPIs that match the particular business.

On the other hand, non-growth businesses are positioned as base businesses. These businesses are divided into high- and medium-profit businesses and low-profit businesses. The former can use their earnings to cover their investment needs and allocate any surplus funds to growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for growth businesses, whereas the latter need to reform their earnings structure.
continued with our strategy, which includes the acquisition of pioneering projects connected to the Digital Agency in Japan, the completion of post-merger integration for Avaloq Group AG (Avaloq) abroad, and bolt-on acquisitions for SWS.

As for global 5G, the competitive environment in the network business has undergone major changes as mobile telecommunications standards have evolved from 2G to 3G to 4G. Now as 5G, the fifth generation of these standards, spreads worldwide, Open RAN is expected to become mainstream. Open RAN allows different vendors to interconnect devices via a common standard, which in turn allows for the rapid construction of networks at low cost.

For NEC, which was one of the first companies to commercialize Open RAN-compatible base stations and has successfully commercialized them in Japan, this shift presents a great opportunity to expand our business globally. In global 5G, we aim to leverage our alliances with NTT Corporation and Rakuten Mobile, Inc. to use our commercial achievements as a platform from which to take a leading position in Open RAN. In fiscal 2022, we were selected for multiple commercial projects in Europe and we will use these projects as footholds to expand globally.

In core DX there is a growing need for companies like NEC that provide comprehensive services, ranging from upstream consulting to downstream delivery. This trend has caused several companies to enter this field via the consulting route. In addition to the personnel of ABeam Consulting Ltd., NEC has over 5,000 personnel involved with DX in Japan, thanks to internal reshuffling. This is the largest number among domestic IT companies, and we have plans to increase this number to approximately 10,000 by fiscal 2026. We will use the interconnectivity of our organization to boost collaboration between our consulting wing and engineering wing, which will allow us to meet customer needs from end to end with a high-quality response. With the full force of our technologies related to security, biometrics and digital ID, AI and otherwise, and the full force of our resources, which allow us to provide services that flow seamlessly from the cloud to on-premises and back, we plan to quadruple the net sales achieved in fiscal 2021 to ¥570.0 billion. In fiscal 2022, consulting services provided through our connections with ABeam Consulting resulted in our acquiring projects with business partners. Furthermore, global strategic collaboration with partners such as AWS, Microsoft, and SAP continues to move forward, and this collaboration is helping us make steady progress toward a framework that will facilitate collaborative relationships with our customers.

Leaving No Doubt

In fiscal 2022, we stated our direction for the medium to long term loud and clear, and we have implemented a series of measures based on that statement. In the Olympics, there is an event called the triple jump, which is made up of three phases, a hop, a step, and a jump. Using this as an analogy for illustrating our progress, we have completed the "hop," and have done so with vigor. Fiscal 2022 is when we embark on the second phase, the "step."

Although we have made good progress qualitatively, the capital market still views NEC as one of many comprehensive electronics manufacturers. We possess an intangible asset, technology, but our technology is still seen as secondary to that of specialized IT vendors.

As we move toward fiscal 2026, we are committed to improving corporate value by presenting shareholders and investors with a convincing story that backs up qualitative changes in growth and profitability with concrete results to ensure that we are no longer one of many. To that end, we intend to create catalysts that are both visible and will accelerate growth.

As these catalysts form the basis for growth, we are also working to increase credibility and dispel any doubt lingering among investors. To do this, we will develop and deploy a logic tree that leads us toward Group-wide numerical targets while also trying to reform management methods and mindsets. We will respond to increasingly complex risks by expanding the risks we deem material to include geopolitical risks, supply chain risks, and human rights risks. From there, we will strengthen resiliency to this expanded list of risks.

On April 1, 2022, we reformed our business structure to de-fragment and de-stratify our organization. This updated structure is rooted in the strategy put forth in the Mid-term Management Plan 2025 and will better ensure sound execution of strategy overall. This update will increase the authority and responsibility of leaders and encourage greater commitment to management. At the same time, this structure will encourage commitment among leaders and help pinpoint young employees that can lead in the future. Fiscal 2023 will reap the benefits of these organizational reforms and lay the groundwork for further reforms in fiscal 2024.

I would like us to ramp up our efforts by ramping up our financial measurement methodologies as well as the non-financial measurement methodologies that form corporate value, as these efforts will raise sustainability and create a positive assessment of our corporate value overall. To further promote management for sustainability and to maintain our inclusion in ESG indices, we have set KPIs within the Mid-term Management Plan 2025 for each aspect of ESG—environment, society, and governance—and we are continuously working to improve our ESG performance by strengthening non-financial initiatives centered on materiality and highly transparent disclosure of information.

An Ever-changing NEC

In addition to the fight against COVID-19, the onset of new geopolitical risks is challenging the commonly held idea that globalization is inevitable. In times like these, NEC has proven its ability to band together as a group to respond to crisis by minimizing the impact of supply chain problems and performing other necessary tasks.

Over the past 120 years, NEC has faced many crises, but the driving force behind its survival over the next 100 years will be its superior technological capabilities and its power as an ever-changing group. It is with these strengths that we will make steady progress and achieve the goals of the Mid-term Management Plan 2025 and win the trust of all stakeholders, including shareholders and investors.
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.

In May 2021, we formulated the Mid-term Management Plan 2025, a five-year plan to achieve the NEC Way and NEC 2030VISION. Under this plan, we are promoting Purpose-driven Management with strategy and culture positioned as one.

**Our First Establishment 1899**

**Establishment of Nippon Electric Company**

The Founding Spirit of “Better Products, Better Services”

Nippon Electric Company was established as Japan’s first joint venture with a foreign-owned company. The Company bubbled with its founding spirit and a strong desire to popularize the telephone in Japan.

**Our Second Establishment 1977**

**C&C Announced**

The Integration of Computers and Communications

Anticipating the internet-driven world of today, NEC positioned itself as one of the top five companies in the world in the three fields of computers, communications, and the semiconductors that connect them.

**Our Third Establishment 2013**

Transformation into a Social Value Innovator

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.

In the three fields of computers, communications, and the semiconductors that connect them, NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunications equipment and computers.

**Our Past, Present, and Future**

NEC’s Value Creation Journey

1. Established as Japan’s first joint venture with a foreign-owned company in 1899 as Japan’s first joint venture with a foreign-owned company.
2. C&C announced in 1977, the integration of computers and communications.
3. Transformation into a Social Value Innovator in 2013, focusing on the value creation journey.

**NEC’s Strengths Developed to Date**

**Network**
- 1899: Nippon Electric Company, Ltd. established
- 1970: Japan’s first satellite, Omikuji, launched
- 2007: Ultra-compact radio communications system
- 2016: Satellite cable installation reached over 250,000km, enough to encircle the Earth six times

**IT**
- 1954:Began research into computers
- 1974: The ACOS Series 77 mainframe computer family announced
- 1984: The PC-8801 personal computer announced
- 2002: The Earth Simulator, the world’s fastest supercomputer system for resolving global environmental problems, completed
- 2012: Built ICT infrastructure for the Soccer World Cup, held in Brazil
- 2015: Contributed to implementation of the Individual Number System
- 2020: Started quantum computing application services

**AI**
- 1964: Began research into computers
- 1982: The PC-8801 personal computer announced
- 2009: Ranked No. 1 in facial authentication
- 2016: Biometrics solutions adopted in 70 countries
- 2018: Established the biometric authentication brand "Bio-Verse"
- 2019: Started research into AI for quantum computing application services

*1 Ranked 1st eight times in task assessment, sponsored by the U.S. National Institute of Standards and Technology (NIST)
*2 Ranked 1st multiple times in facial authentication benchmark testing held by the U.S. NIST

Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.

In the three fields of computers, communications, and the semiconductors that connect them, NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunications equipment and computers.

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## What is NEC

### Establishment
- **Number of employees**: Approximately 117,000
- **Average age of employees**: Male 44.3 years old, Female 41.4 years old

### Market capitalization
- **Approximately 1.4 trillion yen**

### Revenue
- **3,014.1 billion yen**
- **Composition of Revenue**
  - Public Solutions Business: 20%
  - Public Infrastructure Business: 19%
  - Enterprise Business: 19%
  - Network Services Business: 17%
  - Global Business: 16%
  - Others: 15%

### EBITDA
- **304.0 billion yen**
- **10.1%**

### Owners’ equity ratio
- **40.2%**

### R&D expenses
- **126.3 billion yen**

### Number of patents
- **Approximately 45,000**

### Environment
- **CDP (Climate Change, Water Security, and Supplier Engagement)**
- **A List**
- **0 cases**

### Governance
- **Number of cases of serious involvement with cartels and/or bid-rigging**: 0 cases

### Corporate Scale

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>Corporate Scale</th>
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<tbody>
<tr>
<td>Market capitalization</td>
<td>Approximately 1.4 trillion yen</td>
</tr>
<tr>
<td>Number of employees*1</td>
<td>117,000</td>
</tr>
<tr>
<td>Average age of employees*2</td>
<td>Male 44.3 years old, Female 41.4 years old</td>
</tr>
<tr>
<td>Revenue*4</td>
<td>3,014.1 billion yen</td>
</tr>
<tr>
<td>EBITDA*5</td>
<td>304.0 billion yen, 10.1%</td>
</tr>
<tr>
<td>Owners’ equity ratio*2</td>
<td>40.2%</td>
</tr>
<tr>
<td>R&amp;D expenses*4</td>
<td>126.3 billion yen</td>
</tr>
<tr>
<td>Number of patents*1</td>
<td>Approximately 45,000</td>
</tr>
</tbody>
</table>

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*1 For NEC Corporation on a non-consolidated basis
*2 As of March 31, 2022
*3 Actual results for fiscal 2022
*4 Actual results as of March 31, 2022
*5 Ratio of employees returning to work who started childcare leave in fiscal 2019
*6 Based on the Promotion of the Employment of Persons with Disabilities Law, as of June 1, 2022
*7 Ranked 1st multiple times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
*8 Ranked 1st in benchmark testing sponsored by the NIST
*9 Ranked 1st in benchmark testing sponsored by the NIST

Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.
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.

### NEC’s Business Model

**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.

### Capital

**Financial**
- Operating cash flow: 1.3 trillion yen*
  * The fiscal years ending March 31, 2022 to 2026

**Manufacturing**
- Business process / IT establishment
- Create a Transformation Office

**Intellectual**
- R&D expenditure: Approximately 4.0% of revenue

**Human**
- Consolidated number of employees: 117,418 (as of March 31, 2022)

### Strategy

**NEC’s Growth Model**
- “Maximizing long-term profit” and “Optimizing short-term profit”

**Non-financial measurement methodologies to underpin sustainable growth**

### Culture

**Transformation of people and culture**

**Establishment of business infrastructure**

**Creation of shared vision for a brighter future with customers**

### Investors

Balance business growth and improve financial soundness

### Customers

Provide safe & secure social infrastructure and services by leveraging strengths in technology

### Suppliers

Create sustainable social value through collaboration and co-creation with suppliers

### Employees

Transform into a company that pursues innovation and brings together diverse human resources: "Employer of Choice"

### Society / Environment

Contribute to climate change measures (Decarbonization)

---

**NEC 2030VISION**

**Life**

**Society**

**Environment**

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.
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 within the NEC Way. This Purpose calls for a combination of strategy and culture, and therefore the Mid-term Management Plan 2025 promotes Purpose-driven Management with indicators set for strategy- and culture-based targets.

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 strategy, with the first priority being to maximize long-term profit, followed by optimizing short-term profit.

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 increase profits.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>• Transform into a top-class vertical SaaS vendor in the global DG/DF market</td>
<td>• Aim for 20% market share in the Open RAN market in 2030, including expansion in the Japanese market from primary to a full software and hardware provider</td>
<td>• Expand our value proposition through a comprehensive approach encompassing consulting to delivery</td>
<td>• Create growth businesses that will realize the NEC 2030VISION with strong technologies and abundant innovation</td>
</tr>
<tr>
<td>Financial Strategy</td>
<td>Maximizing long-term profit and Optimizing short-term profit</td>
<td>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</td>
<td>Strengthen competitiveness through hybrid IT (Cloud/DC/On-Premises) alliances and in-house optimization</td>
<td>Create new business opportunities (social, enterprise transformation). Expand the R&amp;D domain by leveraging the implementation capabilities of technology/policy linkage/end to end</td>
</tr>
</tbody>
</table>

| Purpose | Transform into a company that pursues innovation and brings together diverse people under the NEC Way (Common values): “Employer of Choice” |
| Culture | Transformation of culture and how we work | • Transform our people and culture | • Establish business infrastructure | • Create a shared vision for a brighter future |

Mid-term Management Targets

- **Revenue** (Billions of yen)
  - FY2021: 2,994.0
  - FY2022: 3,014.1
  - FY2026 Targets: 3,500.0

- **Adjusted operating profit**
  - FY2021: 178.2
  - FY2022: 171.0
  - FY2026 Targets: 300.0

- **Adjusted net profit**
  - FY2021: 165.4
  - FY2022: 167.2
  - FY2026 Targets: 185.0

- **EBITDA**
  - FY2021: 295.8
  - FY2022: 304.0
  - FY2026 Targets: 450.0

- **ROIC**
  - FY2021: 4.7%
  - FY2022: 3.9%
  - FY2026 Targets: 6.5%

*EBITDA = Gross profit – SG&A expenses + Depreciation/Amortization
*ROIC = Adjusted operating income – Deemed corporate tax (30.5%) / (Term-end interest-bearing debt + Term-end net assets [excluding minority interest])
Digital Government and Digital Finance Business

Digital governments (and digital municipalities) make full use of IT in all areas of administration to increase convenience and reduce the burden on citizens and companies. They achieve this by simplifying and streamlining administrative processes. Digitalization promotes collaboration and integration between various industries, but collaboration between government and financial institutions is expected to lead the way in this regard. In several European countries, digital IDs are already being used for authentication, identity verification, and as a link between government and financial institutions for assessing eligibility for various services. There are also new innovations emerging based around digital tokens, a form of independently issued digital currency. For example, verification trials in the U.K. are underway for the use of blockchain technology to conduct transactions and manage registration in real estate. The market for digital finance is also expected to grow over the long term as the use of digital technology becomes more widespread and a growing group of users utilize this technology to receive advanced asset management advice and conduct asset transactions.

NEC’s Digital Government and Digital Finance Business

Government systems operate for long periods of time and need to be reliable, and this task is not possible without a company that can fulfill its social responsibilities. NEC has a long track record of contributions to mission-critical social infrastructure, and has offered protection to Japan in the handling of sensitive data without any major issues. On the global front, we have developed a business that draws upon the strength of our biometrics to provide solutions related to public safety. In addition, the acquisition of NEC Software Solutions UK—hereinafter SWS (formerly Northgate Public Services [UK] Limited)—and KMD Holding A/S (KMD) has enabled us to conduct business that involves converting their know-how into software for customers in the public sector, which also includes functions related to public safety. We have also acquired Swiss company Avaloq Group AG (Avaloq) in order to enter the digital finance field, with the expectation that this entry will generate synergies with digital government. We are working to expand and develop business by taking advantage of the global reach of DX. In addition, we are making a shift toward a software as a service (SaaS)-based business model.

Our Three Acquisitions

NEC Software Solutions UK (SWS) (formerly Northgate Public Services)

SWS is an IT services company based in the United Kingdom. The company features a strong customer base and a shared business platform that can be used for a variety of sectors, including policing, tax collection, social security benefits, and public housing management.

KMD Holding A/S (KMD)

KMD is Denmark’s largest IT company with a strong customer base, wide-ranging platforms, solutions for both financial and insurance sectors, and a strong research and development base which it has leveraged to support digitalization of the government.

Avaloq

The growth of Swiss company Avaloq is partially driven by recurring business from provision of software via a SaaS-based business model. The company holds the top market share in wealth management software in Europe and ranks second in Asia Pacific.

Business Expansion Driven by Our Three Platforms

Establish reference points in leading countries, then expand globally

Government Digital Finance Public Safety

Shared Business Platform

Policy research

– Public Policy

– Financial policy

– Social Security

– Administrative

– Municipal

Data Platform

– Perform data analysis and forecasting

Avaloq

– Switzerland

– Europe

– Asia Pacific

KMD

– Denmark

– Europe

– Asia Pacific

Data Utilization Platform

– Co-locate and integrate data

NEC – WISE

– Blockchain

Analysis Platform

– Analyze business

Bio-IDiom

– Bio-IDiom

Business Opportunities and Key Measures for the Medium to Long Term

1. Accelerate global development

London-based SWS has already expanded into Commonwealth nations such as Australia and New Zealand, with the intention to strengthen its presence in these areas going forward. KMD is currently expanding in Europe and is also working with NEC to enter the Asia Pacific region and Japan. Avaloq, which is headquartered in Switzerland, is offering solutions to Japanese customers while also looking to expand into the United States. Regarding digital IDs and DX, we have highlighted the U.S., Singapore, and Latin America as Centers of Excellence in our effort to deploy NEC’s solutions around the world.

2. Transform our business model

We believe it is important to continue investing in our key business areas while making SaaS business a larger proportion of NEC’s business. We are planning to achieve a combined net sales of ¥545.5 billion in fiscal 2023 for SWS, KMD, and Avaloq. Software under the SaaS business model is expected to account for 77% of this result, but we intend to raise this ratio to 80% or higher by the end of fiscal 2026. At the same time, we will use bolt-on M&As to expand our business domains and customer base. We will also work to maximize our return on investment (ROI) by withdrawing from low-profit businesses and reorganizing our business portfolio.

3. Streamline development and operations

We are pursuing cost synergies and increasing the competitiveness of our software through the selection, concentration, and mutual utilization of assets. Outsourcing work offshore is particularly important when it comes to software development. SWS, KMD, and Avaloq have a combined workforce of approximately 10,000 employees, 3,800 of whom work in development, with 40% of the personnel located offshore or nearshore. We intend to increase the ratio to 50% over the period of the Mid-term Management Plan 2025, which will increase operating profit by between ¥5.0 billion to ¥6.0 billion over the course of the plan.

Key Achievements in Fiscal 2022

• Acquired new projects thanks to synergies created between Avaloq and local NEC subsidiaries in Asia
• Improved efficiency in development by utilizing offshore bases in India
• Completed post-merger integration for Avaloq and conducted bolt-on M&As for SWS
In recent years, network connections have gone beyond the scope of smartphones and computers to include a variety of sensors, smart meters, home appliances, automobiles, medical devices, and other items. This shift has increased the number of domains that utilize data to a considerable degree and has made it possible to perform analysis, detection, and operation in real time. The technological development of 5G has been promoted globally as a means to provide a wireless communication standard that can handle this boom in IoT business in a way that 4G cannot. Commercial 5G service has the potential to dramatically change both business and social environments. Telecom carriers will play an important role in making sure that 5G is a reliable form of infrastructure that can support society at its core.

Traditionally, carriers have procured a complete set of telecommunications equipment from a single vendor. However, the establishment of standards related to base stations and their shift to open systems, coupled with improvements in hardware performance, have enabled global implementation of Open RAN, which makes it possible to procure equipment from multiple suppliers. Mobile operators have a strong desire to increase competitiveness and operate more efficiently by increasing the choice of telecommunications equipment, and therefore welcome the idea of more suppliers. At the same time, Open RAN comes with its own challenges. For instance, procuring telecommunications equipment from multiple suppliers could complicate systems, which raises the question of the real feasibility of cost reductions.

Globally, the overall RAN market is valued at roughly ¥3.5 trillion to ¥4.0 trillion. Over the period of 2022 to 2025, Open RAN is expected to grow within this market at an annual rate of 30% or higher, exceeding ¥1.0 trillion in 2025. With expectations on the rise, 85% of major telecom carriers have indicated their intention to adopt Open RAN in the future.

### NEC’s Business Model

**NEC’s Global 5G Business**

Traditionally, NEC has focused on providing fixed-line and wireless telecommunications equipment for telecom carriers, operation support system (OSS) software, or equipment management, business support system (BSS) software for customer support, and service platforms for end-users. We have captured the top position in Japan in the 5G market due to the wider range of solutions we offer compared to our competitors; our results, which show our ability to respond to customer needs; the robust nature of our products and solutions; and our track record of working with telecom carriers and industrial partners to create 5G use cases. Similarly, we are able to ensure that Open RAN 5G can function as a mission-critical solution that meets customer needs, and watch over the integration of Open RAN 5G into customer systems, a process that we consider to be our responsibility. This will make it possible to guarantee services under a multi-vendor system, as opposed to services dependent solely on NEC products. In terms of developing products for the global market, we have leveraged our track record in domestic business related to 5G with global-oriented companies such as NTT Corporation and Rakuten Mobile, Inc.

To address rapidly increasing communication traffic and expand business opportunities, we need to increase the operational efficiency of network equipment and both introduce and manage services with greater speed and efficiency. As a result, OSS and BSS have become increasingly important. Therefore, we are working with Netcracker Technology Corporation, which we acquired in 2008, utilizing its vast customer base and track record of implementing OSS and BSS to help leverage its products and others to conduct business in the global market.

**Business Opportunities**

- Commercial adoption of 5G services, with the potential to dramatically change both business and social environments
- Increased demand for Open RAN from mobile operators
- Increased demand for OSS and BSS

**NEC’s Strengths**

- Track record of providing a wide range of solutions, ranging from access to core and IT services
- Ability to respond to customer needs, reliability, and performance
- Membership in Netcracker, which possesses a vast customer base and a track record of implementing OSS and BSS

**Risks**

- Market regulations and changes in the macro-environment may delay the introduction of new services
- Efforts to introduce 5G in existing commercial projects may fail

**Business Conditions**

**Key Achievements in Fiscal 2022**

- Shipped commercial Open RAN equipment, put equipment into use, and had our mobile core software selected as part of the full-scale launch of commercial 5G networks with domestic carriers
- Selected as a vendor by top European carriers based on evaluations of domestic performance
- Conducted 16 Open RAN trials, mainly in Europe, the U.S., and India, as well as other countries
- More than 30 business negotiations ongoing in Japan, Europe, the U.S., India, and other countries

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

1. **Focus on customers that support Open RAN to expand market**

   We intend to open the door to Open RAN projects and build a track record of results by strengthening our relationships with telecom carriers that are taking active steps to introduce Open RAN. Working together with customers and other vendors, we will help launch and expand the reach of our products. This will allow us to provide precision solutions that meet the expectations of our customers. We will also enhance our verification system and other relevant systems in global operation in order to ensure a rapid response to customers.

2. **Expand 5G portfolio beyond hardware to include software and develop a recurring business model**

   We are expanding our 5G portfolio to include software in the areas of central and distributed units (CU/DUs), 5th generation core networks (5GC), and service management and orchestration (SMO). We also consider it our responsibility to provide system integration (SI) services as part of our effort to offer an optimal solutions package. In addition, NEC’s virtualization software technology will expand the domains where our general-purpose hardware can be utilized, which will make it possible to reduce costs while increasing trust with customers. Those efforts will help achieve a shift toward a more software-focused business and higher profit margin.

3. **Establish a global 5G business framework**

   In Japan, we are working to implement development and quality control for both infrastructure-related products that take full advantage of 5G’s capabilities, and for advanced functions such as AI and machine learning that are set to become core technologies in the future. In addition, we are building a system for global development and production related to the Internet of Things (IoT) that can also be utilized by partners. This system is primarily being developed in India for the country’s cost competitiveness and is aimed at IoT for use in production and ensuring connectivity. First, we will select and focus on customer bases in North America and Europe where Open RAN is being actively promoted, and expand from there. Establishing a system for promoting Open RAN early on and providing services to a large number of customers will help secure a position as a key Open RAN vendor.
Core DX Business

The conditions that affect society and companies change with each passing day, becoming increasingly complex and uncertain. This situation has made digital transformation (DX) increasingly important. DX is defined as “the process by which companies respond to rapid changes in business, using data and digital technology to transform their products, services, and business models based on the needs of customers and society, as well as to transform the business itself, the organization, processes, and corporate culture to establish a competitive advantage.” Recent years have seen DX permeate society and companies at an accelerated pace. This is due to changing business conditions, such as the rapid rise in collaboration between industries and active restructuring efforts across industries, as well as the evolution of technologies such as AI, IoT, and 5G networks. In addition, there is an increasing demand for end-to-end solutions that range from consulting to delivery. Framed in terms of the future together, it is imperative that we present clearly what changes these technologies are supposed to elicit from society, how data is to be held and utilized, and how the systems we propose are crucial to this process. Moreover, we must include the negatives alongside the positives. Now, more than ever, we need to put forth an image of the future from the user’s perspective and outline what we need to do to make that image a reality.

NEC’s Core DX Business

NEC’s strengths lie in its efficient R&D and its high-quality implementation capabilities, which it has used to help develop social infrastructure and network platforms in Japan for many years. All of NEC’s businesses are tied to DX in some way, so we naturally have a track record of providing DX solutions to customers in a wide range of industries. In addition, NEC utilizes itself as a testing ground to promote DX. This practice has a dual purpose. First, using our DX initiatives in-house increases competitiveness as a company, which means that, second, we become a powerful use case that we can show customers the efficacy of our cutting-edge offerings. In February 2021, NEC was named as a DX-certified operator by the Ministry of Economy, Trade and Industry, in recognition of its overall commitment to DX as shown in its vision, business strategy, and efficacy of our cutting-edge offerings. In February 2021, NEC was named as a DX-certified operator by the Ministry of Economy, Trade and Industry, in recognition of its overall commitment to DX as shown in its vision, business strategy, and systems—making it the first company in the electronics industry to receive such certification. Now NEC is working to further enhance its human resources while increasing coordination with its powerful delivery capabilities.

These efforts include working with one of its Group companies, ABeam Consulting Ltd., one of the top consulting firms in Japan in terms of the number of consultants and sales, and establishing its own consulting strategic division.

Menu of DX Offerings

Business Opportunities and Key Measures for the Medium to Long Term

1. Provide value via a comprehensive approach encompassing consulting to delivery

This strategy relies on a combination of the upstream consulting strength of ABeam Consulting, which operates on a domestic scale of approximately 5,000 consultants, enhancing NEC’s own consultants through its DX personnel development program and utilizing these people in tandem with NEC’s robust delivery capabilities. These one-stop services will help us support DX for society and companies. Moreover, this strategy will allow us to provide support across the entire DX life cycle of a customer, beginning with strategic consulting for customers, and thereby widening the scope in which we can generate value.

For more details on the development of DX personnel, please refer to page 45.

2. Develop and establish common ICT platform technologies and standardized offerings

We will transition from solutions that were previously optimized individually by industry and customer toward a business that is optimized overall, driven by a common platform in the form of NEC’s digital platform. This will enable us to provide value to our customers with a sense of scale. Our plan is to create a platform using NEC technology that will effectively facilitate 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.

3. Increase competitiveness through hybrid IT

We intend to increase competitiveness by creating a hybrid IT environment through an optimal combination of cloud, data center, and on-site 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).

4. Lead the shift in society with DX

We will coordinate with government policy and utilize NEC’s technologies, such as biometrics and AI, as well as our end-to-end implementation to support projects that will transform society. These projects involve the steady promotion of DX in domestic governments spurred on by the creation of the Japanese government’s Digital Agency, construction of super cities, and infrastructure-coordinated mobility.

Key Achievements in Fiscal 2022

- Leveraged collaborations with hyperscalers to gain a competitive edge in cloud-related business
- Launched a strategic partnership program in anticipation of acquiring large projects
- Acquired large projects through collaboration with ABeam Consulting

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Operating Profit</th>
<th>Adjusted Operating Profit Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2022</td>
<td>173.7</td>
<td>2.2%</td>
</tr>
<tr>
<td>FY2023</td>
<td>570.0</td>
<td>5.9%</td>
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</tbody>
</table>

Business Conditions

NEC’s Business Model

<table>
<thead>
<tr>
<th>Business Opportunities</th>
<th>NEC’s Strengths</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased importance of DX</td>
<td>Efficient R&amp;D</td>
<td>A shortage of DX personnel that could lead to sluggish earnings growth</td>
</tr>
<tr>
<td>Increased demand for end-to-end solutions that range from consulting to delivery</td>
<td>High-quality implementation capabilities and a strong track record</td>
<td></td>
</tr>
<tr>
<td>Abundance of resources, including the human resources and foundation provided by ABeam Consulting and in-house strategic consulting division</td>
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</table>
**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 knowledge 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 knowledge, and collaborations with research institutions and venture capitalists as starting points.

Specific examples of initiatives: 1) Healthcare and life-related businesses; FY2031 NEC healthcare business value (forecast): ¥500.0 billion*2

**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**

- dotDB: AI-based drug discovery, and other new business development achievements
- Business development methods*3 utilizing internal and external capital

**NEC’s Recent Efforts in the AI Drug Discovery Business**

April 2022 • CEPI*4 partners with Japan’s NEC Group to develop artificial intelligence-designed broadly protective betacoronavirus vaccine.

For more information on AI drug development, please refer to page 45.

For more information on our businesses related to carbon neutrality, please refer to “2. Increase Contributions through Businesses” on page 57.

**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. We 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 outperform them in terms of operating profit ratio. As for low-profit businesses, we have formulated individual turnaround plans aimed at improving profitability. We are monitoring progress of these plans, taking resources from businesses that do not achieve their objectives, allocating them to key areas, and taking appropriate action in cases where recovering profitability is deemed unlikely.

In fiscal 2022, we began this monitoring under the leadership of the CFO, and our adjusted operating profit ratio has since increased 2.6%. In fiscal 2023, we plan to ramp up these activities and optimize our business structure with actions that include downsizing some businesses and shifting resources, and we expect that our adjusted operating profit ratio will increase by more than 1% compared with fiscal 2022 as a result.

With these measures, we expect to reap the benefits of our improvement plan, complete the review of our business portfolio, and raise profitability up to our target level by fiscal 2026.

<table>
<thead>
<tr>
<th>Adjusted OP Ratio</th>
<th>Low-profit business FY2026</th>
<th>High-, medium-profit business FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5.0%</td>
<td>1,000.0</td>
<td>2,000.0</td>
</tr>
<tr>
<td>10.0%</td>
<td>1,500.0</td>
<td>2,500.0</td>
</tr>
<tr>
<td>15.0%</td>
<td>2,000.0</td>
<td>3,000.0</td>
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</table>

**Low-profit Business Monitoring System**

**Strategy formulation**

- Setting of hurdle rate
- Formulation of turnaround plan

**Reaping of benefits from our results**

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

**Achievements in FY2022**

- Improved adjusted operating profit ratio as a result of thorough monitoring led by CFO
- Transferred shares of NEC Energy Solutions

**Initiatives in FY2023**

- Ramp up efforts to optimize business structure, including downsizing some businesses and shifting resources
Financial Strategy

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

We will continue to bolster our ability to create cash through growth strategies and management foundation reforms in pursuit of a business structure conducive to generating adjusted operating profit of ¥300.0 billion by fiscal 2026. Please refer to the CFO Message on page 36 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 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

Under the Mid-term Management Plan 2025, we are working to enhance our non-financial initiatives and to promote highly transparent disclosure of information centered on “materiality”—priority management themes from an ESG perspective. This will ensure we remain in ESG indices used for ESG investment. In fiscal 2022, NEC continued to be listed in global ESG indices such as the Dow Jones Sustainability Indices, the FTSE4Good Index Series, and the MSCI ESG Leaders Indexes. To view a list of ESG indices that include NEC, please refer to page 83.

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 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 a source of innovation, and advancing workstyle reforms in order to provide a better workplace for a diverse array of individuals. For more details, please refer to page 46.

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 systems.

In regard to our IT systems, we will proceed with cloud transformation of the NEC Group’s core system, the redesigning of business processes and systems in unison with IT, and the revamping of 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.

To achieve NEC’s Purpose, we must harness the power of digital technology and work with our multitude of stakeholders to seize the future together. This will make the NEC 2030VISION, the embodiment of our Purpose, a reality for the future.

To this end, we are ramping up our Thought Leadership activities in order to boost our ability to offer solutions to society.

In April 2022, we invited Ms. Kumi Fujisawa, who has been active in an external think tank, to serve as chairperson of the Institute for International Socio-Economic Studies (IISE), a think tank run by NEC. In July of the same year, we also brought astronaut Mr. Soichi Noguchi on board as an executive chief fellow. (https://www.i-ise.com/en/about/about_top.html) In April 2022, we invited Ms. Kumi Fujisawa, who has been active in an external think tank, to serve as chairperson of the Institute for International Socio-Economic Studies (IISE), a think tank run by NEC. In July of the same year, we also brought astronaut Mr. Soichi Noguchi on board as an executive chief fellow. (https://www.i-ise.com/en/about/about_top.html)

We will use this think tank and other means to conceive and communicate an idea for a future that captures the imagination of society. In doing so, we will attract a group of like-minded people who will form a market around this idea, and then, through co-creation, verification trials, and ultimately business creation, we will begin implementing this idea in society.

As part of an effort to confirm the impact of non-financial initiatives on financial performance, we employed “Digital ESG Data Analytics,” an ESG management support system provided by Albreak Consulting Ltd., to conduct an analysis examining the correlation between Price-to-Book Ratio (P/B) and non-financial indicators. In fiscal 2022, we analyzed 213 non-financial indicators that the NEC Group is working on from their fifth year of implementation to their tenth year and looked for correlations with the P/B. Based on our analysis, 25 indicators correlated with an increase in the P/B. For example, a 1% increase in the number of female department heads or higher, our indicator of diversity, would result in a 3.3% increase in the P/B.

As of 2022, the NEC Group has been working on the implementation of Science Based Targets (SBTs), and in 2022, we set a goal of reducing our scope 1, 2, and 3 greenhouse gas emissions by 2030. We are also working on establishing a materiality matrix that includes the Dow Jones Sustainability Indices, the FTSE4Good Index Series, and the MSCI ESG Leaders Indexes.

Key Themes (Materiality) | Main Initiatives | FY2022 KPIs | Results for FY2022
--- | --- | --- | ---
**E** | Climate change (Decarbonization) | 1. Acceleration of environmental management toward achievement of SBT*1 1.5°C by 2030 2. Contribution to CO2 reduction through customer DX | 1. 33.6% reduction*2 (compared with FY2018) 2. 31.1% reduction*2 (compared with FY2018)
**S** | AI & human rights | 1. Development of human resources in advanced security to handle social infrastructure 2. AI provision and utilization prioritizing respect for human rights | 1. 20% CISOs certification (30% increase compared with FY2021) 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles
**A** | 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. 20% CISOs certification (30% increase compared with FY2021) 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles
**G** | Corporate governance | 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 | 1. Suppliers agreeing to procurement guidelines: 100%*3 2. No. of serious incidents: 0 3. No. of serious incidents: 0
**F** | Supply chain sustainability | 1. Suppliers agreeing to procurement guidelines: 100%*3 2. No. of serious incidents: 0

*1 SBT: Science Based Targets  *2 Scope 1, 2  *3 Ratio based on procurement amount  *4 Certified Information Systems Security Professional
Creating New Social Value through KMD Digitalization

As governments around the world focus their attention on digitalization, NEC acquired KMD Holding A/S (KMD), one of Denmark’s largest IT companies, in December 2018. KMD has overwhelming strengths when it comes to providing solutions for government and local public institutions, such as those involved with social security, taxes, policing and defense, as well as financial institutions and city infrastructure. We asked three members of KMD to talk about the advantages of the company, to give us an update on its collaborations with NEC, and to tell us about what the future holds in terms of the digitalization of government and society.

Q. Denmark is ahead of the curve when it comes to digitalizing the public sector. How has KMD contributed to this success?

Hans
If you include my previous employment, I have been involved with digitalization in the public sector for almost 30 years. In my previous position I was involved in setting up several core systems for the government and introducing new digital technology into the public sector.

KMD saw my involvement in public sector digitalization and reached out to me with perfect timing, just as I was really starting to feel like I wanted to do something that had more social significance. The reason I like working for KMD is that its IT systems give people more access to social security and other benefits of the public sector; their business helps society.

Ditte
Over my career I have been driven by the idea of using technology to benefit society, and I decided to join KMD because I was convinced that KMD has a unique ability to help actualize that idea. I am currently involved in developing solutions for the public sector that utilize AI. We are using the power of IT to improve operations in the public sector, which optimizes society as a whole and creates a better life for all people. The fact that we are developing technology and software that provides major value for society, and the knowledge that our work directly benefits society, are the most appealing points about working at KMD and give me great motivation.

Malte
KMD is a well-known and trusted company in Denmark, thanks to its earnest efforts to help digitalize the public sector. I was interested in using my area of expertise, communication, to help KMD express how digitalization could help support the green transition, since this connection is still not entirely clear to society.

Q. What made you want to work for KMD?

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NEC’s Business Model

Employee Roundtable

Hans Jayatissa
KMD
Lead Digitalization Officer

Ditte Haugaard Clausen
KMD
Lead Sustainability Officer

Malte Højmark-Bertelsen
KMD
Head of AI and NLP (Natural Language Processing)
We are also transparent about personal information protection, which is one of the biggest roadblocks when promoting digitalization. For example, the law stipulates who can access personal information and under what conditions, and you can see who has access to your personal information and why. It is possible for a person to choose not to disclose their address or personal information for whatever reason. We believe that making these considerations and properly informing people about how their personal information is handled helps to break down these roadblocks and accelerate our drive toward a digital society.

The key to future services is “usability,” as Hans pointed out. We recognize that KMD needs to create software that is intuitive and easy to use, since that is what spreads the word. We expect great things to come out of our work with NEC, particularly in promoting the transition to a green society. NEC’s advanced sensors, digital twin platforms, and AI-related strengths, all of which are an integral part of energy management, synergize well with KMD’s solutions and data. Together, we have succeeded in developing AI and platforms that contribute greatly to this green transition.

Q. What matters of interest do you see going forward, and how do you address them?

**Hans**
I think the next big digitalization driver is the transition to a green society. To create this new society, we will need to make full use of IT in roles that include managing power production and consumption while also working to move away from our dependence on fossil fuels. That is one major area where we should focus our energies in the next 50 years. We also still have yet to resolve the issue of too few civil servants in the public sector, so we need to use IT in these fields to automate and increase operational efficiency further.

**Maiti**
As things are now, there are several examples within public institutions that require work to be checked in ways that require many people doing repetitive, manual tasks. We could use KMD’s various technologies to tackle this issue and others like it, and improve efficiency by leaps and bounds.

Q. What effect would you like digitalization to have on Denmark as a country?

**Hans**
The ideal society would be one where digital technology is a natural part of people’s lives that makes things more efficient by helping them make the right decisions at the right time. To put this in the context of a green transition, making IT a part of people’s lives will make it possible to consume water and electricity in a way that is easy, efficient, and requires less of a conscious effort, and that will help drive efforts across society.

**Ditte**
I would like us to create a “smart” society, with humanity at its core. It would be a great thing if AI and robots could handle routine or simple tasks—anything that could be automated—so that we could concentrate on coming up with new ideas and communicating with one another, the sorts of things only people can do. I would like Denmark to be a country that is highly flexible when it comes to energy use, and one that is driven by 100% renewable energy. I want KMD’s solutions to help make Denmark a trailblazer in these efforts.

**Maiti**
I completely agree with Ditte and Hans. I want Denmark to become a flexible country that takes advantage of new technologies as a way to resolve problems in every area. I also believe that if we move the public sector toward data-driven operations, we will become more effective and produce better results, and this applies to sustainability too. KMD has a wealth of technology that will help Denmark become a better society, so I would like to appeal to the country to take advantage of it more.

Q. What are your expectations of NEC?

**Hans**
KMD and NEC are good partners that share the same vision of the society that we would like to create. Together we can create and offer overwhelming services, incorporating KMD’s knowledge and products with NEC’s R&D capabilities and global network. A good example of this is one of KMD’s key products, WorkZone, a flexible document and process management system that can be configured to meet the regulations of markets where it is implemented. This product has already been proposed to customers in Singapore, Japan, and Australia through NEC’s global network. We would like to enhance our alignment with NEC so that more citizens around the globe can benefit from KMD’s products.

**Ditte**
“Trust,” as we have borne in mind over the years, is essential when you are involved in digitalization of government and society. Likewise, mutual trust is indispensable between KMD and NEC. NEC is highly regarded by society not only for its technological expertise but also because of the trust that NEC has earned over the years, something that is embedded in its corporate philosophy. This trust is something KMD values as well, and we will make the utmost effort to maintain this trust together.

**Maiti**
KMD and NEC working hand in hand could create a digitalized society in a more sophisticated manner than they could on their own. On the journey toward becoming digitalized and data-driven, advice from NEC from a technological perspective could be a key factor. We would like to harness the synergies that arise from our great partnership to create more useful and innovative services to better benefit society.
Maximizing Long-term Profit, Optimizing Short-term Profit, and Increasing Corporate Value through Achieving the Mid-term Management Plan 2025

Osamu Fujikawa
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)

Generating Cash for Strategic Investment

Over the course of fiscal 2022 to fiscal 2026, we intend to generate cash flows from operating activities amounting to ¥1.3 trillion. Our policy is to secure a certain amount of surplus in order to avoid missing out on investment opportunities, and to pause on the right opportunities when they arise.

The shortage of parts and materials, which manifested around the summer of fiscal 2022, had a negative impact on business results, but thanks to Companywide efforts, we were able to limit the negative impact on operating profit to ¥8.0 billion. On the other hand, the strategic increase of our inventories in response to these shortages resulted in a year-on-year drop in free cash flow of ¥18.3 billion, to ¥84.1 billion. In fiscal 2023, we plan to generate revenue amounting to ¥18.0 billion by bringing our inventory back to normal levels on the assumption that the shortage of parts will subside.

We will maintain appropriate control over temporary factors such as this shift in inventory as we continue to expand growth businesses, improve the profitability of base businesses, increase asset efficiency, and convert our assets to cash in line with our fundamental policy. This will generate the cash we need.

Generating Cash by Improving Base Business Profitability

As CFO, I keep a close eye on low-profit businesses in an effort to improve the accuracy of our annual plans for base businesses. We have set an operating profit ratio of 7% or higher as a hurdle rate to determine which of these businesses should continue. As a first step to helping these businesses over this hurdle, I will sit down with the relevant business unit and hammer out a plan, and then implement measures for improvement. If a business cannot reach this hurdle rate by fiscal 2026, we will explore other options, such as reorganizing our business portfolio. Thanks to the work we have put in to date, we have steadily raised the profitability of NEC as a whole; and in fiscal 2022, we improved the adjusted operating profit ratio of low-profit businesses by 2.6%. In fiscal 2023, we plan to improve this ratio by a further 1½% by stepping up these measures and optimizing our business structure, which will include downsizing some businesses and shifting resources.

Generating Cash by Improving Capital Efficiency

Since the previous mid-term management plan, we have engaged in activities to shorten our cash conversion cycle (CCC), which is ultimately an effort to improve capital efficiency. As a result, we reduced our CCC by 12 days over the course of two years, from 72 days as of March 31, 2019 to 60 days as of March 31, 2021. As of March 31, 2022, this number has rebounded to 66 days, but this is due to our decision to strategically increase inventories that I alluded to earlier. If we exclude this extenuating circumstance, we actually shortened our CCC even further, to 58 days. Until fiscal 2021, corporate headquarters had a hand in efforts to improve NEC’s CCC, but in fiscal 2022, the leaders of each business unit proceeded with their efforts and achieved improvements with autonomy. I believe the heightened awareness of capital efficiency coupled with cultural reforms is steadily building up our execution capabilities.

This is important because, under the Mid-term Management Plan 2025, we are transitioning from profit and loss-centered management to management that emphasizes capital efficiency. ROIC is generally the go-to indicator for measuring capital efficiency, but in addition to ROIC, we will emphasize various other efficiencies relevant to business activities such as the efficiency of human capital and production. However, if we place too much emphasis on efficiency, we will restrain top-line growth in growth businesses and new businesses. Therefore, instead of monitoring efficiency throughout NEC with a one-size-fits-all approach, we will adopt a long-term perspective and expand the range of indicators we can apply to each business in order to match its specific nature. As an example, for fiscal 2023, we will set management indicators such as free cash flow or EBITDA, which are best-suited to each business, and then build logic trees for these businesses to determine key performance indicators (KPIs) that will play an integral role in formulating plans and steering operations for fiscal 2024.
We are working to build an understanding of capital costs among division general managers to ensure this strategy works effectively. Profit is undeniably important. The idea here is to have a shared understanding throughout NEC that, as a company, we have an obligation to the capital market and financial institutions to generate profit that exceeds capital costs—in fact, this duty is how NEC is able to exist—while also using the targets set for fiscal 2024 as a means to further improve capital efficiency throughout the Company.

**Generating Cash by Converting Our Assets**
In April 2020, we set guidelines for eliminating cross-shareholdings. This, coupled with our transition to the Prime Market segment of the Tokyo Stock Exchange, means that we have an even greater obligation to justify whatever cross-shareholdings we have in our possession. These shares are subject to comprehensive annual review by the Board of Directors, in which the Board clarifies the strategic value of each holding and considers the returns in terms of capital costs and other perspectives. If the Board accepts the rationale for a holding, it is kept; if not, it is sold. In fiscal 2022, we sold shares in nine stock listings worth ¥19.5 billion. Compared with fiscal 2020, or over the course of two years, we have reduced our cross-shareholdings in listed companies from 108 to 52. In addition to cross-shareholdings, we are actively monetizing available-for-sale non-core assets so that we can allocate these funds to growth areas and areas that can generate synergies.

**Capital Allocation**
We plan to allocate cash generated by the measures I have mentioned toward strategic expenses, which will increase corporate value and help maintain a surplus for future investments. We will then seize opportunities to actively invest in growth drivers and fields when they appear. As for our financial structure, we improved both our owners’ equity ratio and net DE ratio, and over the medium term, we aim to maintain the financial structure applied as of March 31, 2021, a structure that afforded us an upgrade by credit rating agencies. Regarding dividends, our basic policy is to maintain dividends with a target payout ratio of roughly 30% on our financial structure, we improved both our owners' equity ratio and net DE ratio, and over the medium term, we aim to maintain the financial structure applied as of March 31, 2021, a structure that afforded us an upgrade by credit rating agencies. Regarding dividends, our basic policy is to maintain dividends with a target payout ratio of roughly 30% on average over a five-year period. In addition, we have made the decision to acquire treasury shares amounting to ¥18.0 billion over the course of August 30, 2022 to March 31, 2023. This decision was made to send a clear signal to the market after a comprehensive assessment of stock prices relative to our improved financial structure and outlook. Altogether, we will adhere to our basic policy for capital allocation in which we prioritize investment opportunities for growth and provide returns to shareholders under the aforementioned dividend policy and via capital gains achieved by higher earnings and the corresponding increase in corporate value.

Our basic policy for strategic expenses is to make investments from cash flows from operating activities in growth businesses while improving the profitability of existing businesses; this includes active investment in the business infrastructure and human resources that support it. In fiscal 2022, we made a balanced investment of ¥73.0 billion toward infrastructure and human resources that support it. In fiscal 2023, we intend to increase revenue by 3.8%, with this increase centered on growth businesses. Taking into account the additional profit from increased sales, we have also forecasted an adjusted operating profit of ¥185.0 billion. Although the business environment remains uncertain due to factors including the restricted supply of components and yen depreciation, we will maintain a steady course by capitalizing on the robust demand for 5G and making full use of our ability to respond to situational change. In addition, we have disclosed our earnings forecasts for fiscal 2023 on a non-GAAP basis. This is due to the fact that NEC's senior management emphasizes non-GAAP-based indicators that include Purchase Price Allocation (PPA) amortization to measure underlying profitability.

We are in a time marked with instability and an inability to predict future business conditions. It is becoming less tenable for companies to survive based on what worked in the past. This, however, also upends the competitive environment, making it easier for new opportunities to arise. With the digitalization of processes and other areas and the accumulation of data, NEC is primed to harness its technological assets—its AI, its security technology, and its engineering capabilities—to take on significant changes. Our AI drug development business symbolizes this perfectly, as a field that no one could have imagined in the past is making rapid progress. We have a particular focus on climate change (decarbonization). These SDGs-based financing initiatives are the NEC Group’s “Purpose” put into practice, and provide value to society. By doing so, we hope to achieve the goals of the Mid-term Management Plan 2025 and make sustainable improvements to corporate value.

**Non-financial Strategies for Enhancing Corporate Value**
Year after year, as social issues become increasingly complex and the demand for disclosure becomes increasingly strong, the importance of management based on integrated thinking is becoming increasingly important. There is a call to go beyond disclosure of non-financial information at the request of external parties, and to also provide non-financial strategies that both show a clear link to the financial aspect of a company and offer a logical explanation of how the strategies will improve corporate value in a sustainable way. In response, we are employing external evaluations and discussions held by the Sustainability Advisory Committee, which was established in 2022, to identify and correct any deficiencies in our disclosure and to make our explanations more logical. We are also working with Group company Almeba Consulting to conduct a causal analysis between indicators of corporate value and non-financial data and initiatives. I would like NEC to analyze and utilize non-financial indicators as part of data-driven management while we continue to accumulate data.

**Financing as Management for Sustainability**
In July 2022, NEC issued Japan’s first sustainability-linked bond with three maturities via a public offering in the domestic corporate bond market. The issuance of the bond is an example of NEC using financing to show its strong commitment to one of its material issues (materiality), “environmental action with a particular focus on climate change (decarbonization).” These SDGs-based financing initiatives are the NEC Group’s “Purpose” put into practice, and provide value to society. By doing so, we hope to achieve the goals of the Mid-term Management Plan 2025 and make sustainable improvements to corporate value.
In Search of Social Value Creation—The NEC Technology Vision

We believe that a key component to realizing the NEC 2030VISION in a VUCA* world, that is both complex and difficult to predict, is the idea of “seizing the future together,” multiplied by “technology.”

To this end, it is important to implement technology in society, which requires a scheme for market intelligence, development of technology, development of business, and acceptance within society.

Therefore, NEC is working toward R&D co-creation, expanding open innovation, and venturing into new domains to create businesses that can impact society.

Approach to R&D Investment

We allocate approximately 4% of revenue to R&D in order to maintain and improve our R&D capabilities over the medium to long term, independent of any external trends.

Innovation: R&D and Business Development

Human Resources—The Source of Innovation

Our R&D and Business Development System for Global Human Resources—The Creators of Innovation

NEC’s research laboratories are responsible for research and development that is geared toward strengthening the technological competence of the NEC Group. These laboratories adopt a global perspective, working with locations and other research laboratories around the world to conduct R&D that can create new social value and open up possibilities for the future.

Human Resource Acquisition and Cultivation to Boost Innovation

Introduction of the Selective Compensation Program for Professional Researchers to Attract Top Young Researchers

• Provides researchers with compensation according to their market value, with no upper limit
• Launched program in fiscal 2020 in Japan and extended it to applicable new graduates during recruitment activities in the U.S.
• Total number of researchers acquired: 22

Continued Enhancement of Our Acquisition of Excellent Talent from India and Other Countries

• Have engaged in recruitment activities at India’s prestigious Indian Institutes of Technology (IIT) since 2012
• Part of our continued efforts to keep acquiring top talent from around the world

Internal Side Business System (within Global Innovation Unit)

• Implemented system to accelerate integration of R&D and Business Development divisions
• Aims at developing human resources who are highly skilled in both technology and business

System for Highly Skilled Business Development Professionals

• High-risk, high-reward system providing highly skilled business development professionals with benefits based on their market value
• Established the new position of Executive Analytics Consultant Lead for data-driven DX-related businesses in fiscal 2022, in addition to AI drug professionals.

* Acronym for volatile, uncertain, complex, and ambiguous
NEC’s Business Model
Innovation: R&D and Business Development

High Technological Competitiveness on the Global Stage

Artificial Intelligence
- Machine learning: Number of papers accepted by leading artificial academic conferences1
- Number of patent applications selected for 11 consecutive years

Communication and Security
- Top 100 Global Innovators2 global survey of patent activities 45 consecutive years
- Facial recognition: Number of international patent applications ranked No. 1 in the world
- Biometric authentication, video analytics, AI: Number of international patent applications ranked No. 1 in the world

Patents
- Top 100 Global Innovators3 global survey of patent activities 11 consecutive years
- Facial recognition: Number of international patent applications ranked No. 1 in the world
- Biometric authentication, video analytics, AI: Number of international patent applications ranked No. 1 in the world

AI and Human Rights Principles
NEC has formulated the NEC Group AI and Human Rights Principles (hereinafter referred to as the “Companywide principles”) to guide our employees to recognize respect for privacy and human rights as the highest priority in our business operations regarding AI utilization. In addition to facilitating compliance with relevant laws and regulations around the globe, the Companywide principles will guide our employees to recognize respect for privacy and human rights as the highest priority in our business operations regarding data privacy and human rights.

Intellectual Property Policy
NEC leverages its intellectual property to increase competitiveness, create new economic value, and enhance corporate value.

Examples of Initiatives Based on the NEC Technology Vision

Digital Twins for Co-creation and Trials of the Future
- Realization of a Safe and Secure Society through Visualization
- Multi-satellite image analysis to detect all kinds of changes in the earth’s surface

Invention analysis and model-free analysis of time-series data
Development of the manned spacecraft Orion, part of NASA’s manned lunar exploration project Artemis
This technology generates a model for normal operations by finding 22 billion relationships from 150,000 sensors on the spacecraft within several hours, enabling anomaly detection for the design, development, manufacture, and testing stages of spacecraft.

AI That Works with People and Permeates Society
Making Society Efficient and Green through Optimal Prescriptions
NEC is developing various types of proprietary technologies in the field of optimization. In addition to quantum computing, these technologies include intention learning, in which AI learns the intentions that underlie the decisions made by experts, and online optimization, which facilitates interactive optimization, even amid uncertain conditions. These technologies will significantly reduce the amount of labour and increase the speed of operations that require choosing the optimal decision from a massive number of options, such as dynamic pricing, shift scheduling, delivery planning, personalized advertising, and optimized recommendations.

Platform to Support Environmental Friendliness, High Reliability, and High Efficiency
Integrating AI across Computing
- Satellite Constellation / HAPS
- Optimal Power Network (Non-linear distortion compensation / Photonic chips)
- All Photonics Network

Communication and Optimization
- Distributed MIMO

5G Access Networks
- Open RAN Resource Optimization

Optical Core Networks
- All Photonics Network

Submarine Optical Communications
- Submarine Optical Fiber Cables

For more details, please refer to the “AI and Human Rights” section on page 64 of Sustainability Report 2022.
Venturing into New Business Areas

At NEC, we expect innovation to spur business development in areas where both potential customers and value are yet to be discovered, and we are working on open innovation to develop innovative new businesses that would be difficult for NEC to pursue on its own. We aim to create new social value on the global stage by creating new combinations of diverse knowledge that shatter the boundaries of preconceived notions.

Direction for New Business Development

Strategies
- Proactively use external resources
- Take on the challenge of developing high-value businesses with social impact
- Strengthen partnering (with major companies, universities, and start-ups)

Proactively Use External Resources

- BIRD INITIATIVE—A First-of-Its-Kind R&D Business from Japan Centered on Co-Creation
  In September 2020, NEC became one of six companies to form BIRD INITIATIVE, Inc., a consortium incorporating business, finance, and academia with the goal of using R&D rooted in co-creation to speed up the creation of new businesses. BIRD INITIATIVE’s activities include R&D, commissioned research, consulting, and investment related to digital technology. These efforts are aimed at resolving issues facing organizations and greater society as digitalization moves forward and at creating new businesses.

Take On the Challenge of Developing High-value Businesses with Social Impact

- NEC X—Working with the Silicon Valley Start-up Ecosystem
  Ecosystems Rooted in Cutting-edge Technology
  NEC established NEC X, Inc. in California to work with Silicon Valley’s start-up ecosystem and capitalize on the technology coming from research laboratories in order to accelerate the creation of new businesses. With NEC X’s human resources and technology at its core, NEC X will promote commercialization through open innovation and create new social value.

AI Drug Development

1) Personalized cancer immunotherapy using cutting-edge AI

- Technological progress:
  - Personalized vaccine design utilizing AI
  - Graph-based associative learning

- Paradigm shift toward drug development processes optimized for each patient

2) Development of a next-generation coronavirus vaccine

- NEC’s AI technology makes the next generation of coronavirus vaccines a possibility

- 2025 business value: 300 billion yen*

- CEPI’s call to action

Strengthen Partnering

- Innovative technological development
- Drastically reduce security risks associated with using open systems and capture the global 5G market using a safe and secure Open RAN system
- Public-private partnerships to accelerate vaccine development

Establishment of the NEC Orchestrating Future Fund

- This NEC-anchored fund raises capital from external sources, which is then invested in early stage and late-stage start-ups in order to develop co-creation ecosystems.

Investment focused on six areas

- Smart cities
- DX
- Healthcare and life science
- Digital government
- Smart cities
- Carbon neutrality

Common themes

- 5G / 6G
- Digital government
- Smart cities
- Healthcare and life science
- Carbon neutrality
Promoting Active Participation of Diverse Talent While Embracing Inclusion and Diversity

NEC’s goal is to become an organization that can overcome challenges by making inclusion and diversity an integral part of its culture and continuing to foster new innovation.

Employees
• Every employee is professional and shows respect for the diverse talents of others.
• A diverse group of human resources work in a way that suits them to carry out their responsibilities.

Organization
• The organization respects and utilizes diverse perspectives as something truly vital.
• The organization has an even playing field, is resilient to change, and can win on the global stage.

Three Key Concepts and Numerical Targets for Inclusion and Diversity

The Inclusion & Diversity Group, led by a corporate executive, works with related departments within NEC to promote a variety of measures, which include providing support for and promoting the understanding of women’s career advancement and active participation, and the employment of people with disabilities and sexual minorities (LGBTQ). This group is engaged in measures related to smooth onboarding of non-Japanese employees working in Japan and mid-career hires. In this way, we are fostering our in-house culture by proposing and implementing measures to enable these kinds of diverse internal human resources to make full use of their individuality and uniqueness to work and participate at their full potential.

Road Map Toward Increasing Our Engagement Score

<table>
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<tr>
<th>Year</th>
<th>Engagement Score</th>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>25%</td>
<td>25%</td>
<td>55%</td>
</tr>
<tr>
<td>2021-2023</td>
<td>35% increase in employee engagement score</td>
<td>30% or higher</td>
<td>62% or higher</td>
</tr>
<tr>
<td>2024-2025</td>
<td>40% increase in employee engagement score</td>
<td>33% or higher</td>
<td>65% or higher</td>
</tr>
</tbody>
</table>

HR Policy: NEC, for Those Who Seek Challenge

- For more details, please refer to the “Inclusion and Diversity” section on page 53 and the “Inclusion and Diversity” section of Sustainability Report 2022.

Specific Initiatives Related to Inclusion and Diversity

- Promotion of women’s empowerment and success
- Employment of people with disabilities
- Diverse workstyles for seniors
- LGBTQ initiatives
- Inclusion of mid-career hires
- Initiatives in local communities worldwide

Code of Values

- Look outward. See the future. Think simply. Display clear strategies. Be passionate. Follow through to the end.
- Encourage openness. Stimulate the growth of all.

Human Resources Strategy

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 receive 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.

Transformation of Culture and How We Work

We aim to be a company that pursues innovation and brings together diverse human resources under the NEC Way, and become the company of choice for employees. Therefore, we are hard at work toward our fiscal 2026 goal of an employee engagement score of 50%.

As a pillar of this transformation, we are engaged in efforts to bolster diversity as a source of innovation and implement workplace reforms that support diverse talent.

To accelerate our efforts toward 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 hub for communication and joint creation of innovation through the further refinement of our NEC Digital Workplace and improvements toward location-free productivity. These measures will help us reform workstyles and mindsets which will then improve 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 place and the right time, and human resource development that emphasizes the cultivation of digital talent.
Utilizing the Right Person at the Right Place and the Right Time with Job-based Management

In order to achieve the goals of the Mid-term Management Plan 2025, NEC is focusing its efforts on ensuring its diverse human resources can play an active role throughout the Group. A part of these efforts involves job-based human resource management that puts the right person in the right place at the right time, and decides on a recruitment plan that will bolster diversity as a source of innovation.

In fiscal 2019, NEC transitioned to a job-based human resource management system for officers that clarifies their duties and responsibilities. Our goal is to expand this system in stages until it applies to all employees.

Enhancing Our Management Base to Promote Job-based Human Resource Management

<table>
<thead>
<tr>
<th>Initiatives under the Mid-term Management Plan 2020</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal planning</td>
<td>Establish management base (through goal management and career planning)</td>
<td>Reconstruct job system to align with business transformation goals and update personnel plan</td>
<td>Establish job-specific hiring, training, and placement with a path toward a specialized career</td>
</tr>
<tr>
<td>Job posting</td>
<td>Position-based personnel plan (Mid-term Management Plan 2020 was set)</td>
<td>Design positions and conduct personnel planning to achieve the new mid-term management plan</td>
<td>Identify and mobilize optimal human resources</td>
</tr>
<tr>
<td>Compensation</td>
<td>Introduction of individual job-based compensation for select positions and ranks (2018 onward)</td>
<td>Implement and enrich evaluation reform</td>
<td>Develop a market-competitive compensation system</td>
</tr>
</tbody>
</table>

Introduction of NEC Growth Careers, NEC’s Internal Job Posting System

In fiscal 2020, we revised our existing job posting system and introduced NEC Growth Careers (NGC), a year-round career matching system that follows an open recruitment model. In fiscal 2021, we introduced AI-generated job recommendations powered by machine learning technology developed by NEC.

Increasing the number of employees who take advantage of this system is a crucial part of increasing corporate growth. To this end, we encourage employees to adjust their mindset and utilize the system through on-one talks, career interviews, and other means. This will facilitate stronger efforts among employees to develop their careers.

Job-matching System Powered by AI

Always available information

| Transfers implemented every month based on successful matches |

Usage and Results of NEC Growth Careers

| Increase of approx. 3.5 times | Increase of approx. 2 times |

Explosion in use due to introduction of AI

Note: Items in red denote differences from the previous job posting system

The introduction of NEC Growth Careers increased the number of open positions and the number of positions filled, encouraging employees to take on career challenges and promoting job mobility.

The number of users has increased significantly due to the introduction of AI. In the future, we will verify the effectiveness and accuracy of AI matching.

Road Map to Achievement and Specific Initiatives

Policy for Training DX Personnel and Framework for Initiatives

<table>
<thead>
<tr>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance human and organizational management capability through DX to lead the global stage</td>
</tr>
<tr>
<td>Enhance the mindset and abilities that form the basis for selling services</td>
</tr>
<tr>
<td>Pursue professional development to achieve a successful business transformation</td>
</tr>
</tbody>
</table>

Support Learning and Career Autonomy with Digital Methods

Provide career opportunities and opportunities for personal development

Human Resource Utilization

<table>
<thead>
<tr>
<th>Human Resource Skill Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization of the right person at the right place and the right time</td>
</tr>
<tr>
<td>Management of human resources</td>
</tr>
</tbody>
</table>

Human Resource Development

<table>
<thead>
<tr>
<th>Human Resource Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures for further success</td>
</tr>
</tbody>
</table>

DX Personnel Training Program

<table>
<thead>
<tr>
<th>DX Personnel Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have talent learn the mindsets and behaviors adopted by strategic consultants to identify issues by learning and experiencing DX conceptual planning and formulation processes</td>
</tr>
</tbody>
</table>

Project-based Learning by STARS |

Develop talent that continues to create and implement social value, by having them learn new ways to show their merits based on their own passions and motivations
NEC’s Business Model

Human Resources Strategy

Workstyle and Office Reforms with Smart Work 2.0

Achievements to Date

Our Work Environment

- Office Reforms
  - Office reforms: Co-working space and kohintō
  - Renovated office floors at NEC headquarters
  - Renovated domestic bases
  - Concierge desk
- System Reforms
  - Working from home
  - Remote work platforms
  - Telework security
- IT Transformation
  - Remote and on-site workstyles
  - Telework security

Vast improvement in satisfaction with workstyles according to employee survey

Number of Online Conferences per Day

35,000 September 2022

Initiatives Going Forward

Smart Work 2.0 is a concept based on the principle of being "location free." As such, employees are encouraged to design their own workstyle, with locations, work hours, and other variables that best suit them. We have redefined the office as a place where people gather, making the office a “communication hub,” a home base where employees combine their forces, and an “innovation hub” where customers, partners, and other people from inside and outside NEC can come together. We intend to help employees stay motivated as they perform their duties by providing them with working systems based on the idea of combining cutting-edge technology with hybrid workstyles that take elements from “location free,” “communication hub,” and “innovation hub” concepts.

Smart Work 2.0, a workstyle that brings together these three concepts, embodies the “Code of Values” that expresses the shared values of NEC Group employees. We believe that through the spread of Smart Work 2.0, employees will put the Code of Values into practice and draw motivation from the experiences that make them proud to be part of the NEC Group.

In addition, as a company that pursues innovation fueled by a diverse pool of talent, coupled with the ability to respond flexibly in the face of social change, NEC will be able to leverage the power of digital technology to help society and leverage the power of co-creation to promote a more sustainable society where everyone has the chance to reach their full potential.

Smart Work 2.0
NEC’s Business Model

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.

Entering the Global Market with a Positive Outlook on the Challenges That Come Our Way

In previous years, I was in charge of overseas sales for countries in Europe and the ASEAN region, and now I am in charge of NEC’s Global 5G Business. This business is said to be NEC’s first venture-based business in the global market. When launching a new business, things do not often go according to plan, but you will never move forward if you get discouraged with every single setback. Instead, you need to go in knowing that there will be challenges that come your way and to see the day-to-day snags as interesting experiences. Thankfully, we have a diverse team that can do just that.

Our members in the United States and Europe have a particularly strong desire to flourish in the global market. When I asked them why they chose NEC instead of other global companies, many said that living up to NEC’s standard of trust and integrity backed by its quality gave them motivation. I believe that the presence of these sort of people is one of the strengths of the organization.

The entire team is now playing field, so anyone can ask anybody for help if they run into trouble. Of course, as leader of the team I bear the ultimate responsibility for what goes on, but everyone is held accountable for their actions, regardless of their position, and the other members of the team will let me know when I am doing something wrong. This has a positive effect, and I feel that everyone takes ownership of themselves while fighting as a team.

When I returned to Japan from abroad as a high school student, the positives of Japanese society really stood out to me, but I also felt that the people and industry in general could play a more active role globally. To make that wish a reality, I want to contribute to the development of the world market under the banner of Japan, and do so with confidence, fairness, and openness. That is what motivates me. I hope to draw upon the strengths of NEC’s substantial expertise and transparency that engenders the trust of society as well as its commitment toward improving not only its standing within Japanese industry but the position of Japanese industry in the world market.

Working with Financial Institutions to Connect One Company to Another

I joined NEC in 2008, straight out of university, and am now in charge of sales targeting major financial institutions. A real turning point for this line of work came around 2014, when fintech started drawing attention, and NEC, like other companies, started creating businesses with customers involving financial institutions. Previously, we would make technology-based proposals to the systems divisions of our customers, but in our effort to create business partner relationships we began approaching front office divisions. Through these dealings, we learned that there was some overlap in the issues our customers were facing with some of the areas NEC was looking to venture into, which ultimately led to the launch of Biz-Create, a business-matching service that allows companies to search for business partners online at their own will. Financial institutions had already been involved in business matching for quite some time, but this service allows for matching across different customer bases. This solved existing problems that financial institutions had previously dealt with, namely, the limited number of matches that could be conducted by human beings. We are also trying to address this issue by increasing the number of matches available within a single customer base. In the third year of its operation, the number of companies using Biz-Create exceeded 14,000, facilitating more than 1,500 business negotiations every month.

I think that financial institutions are looking for new challenges as well, but there is no room for error. The same caveat goes for NEC, but I believe the reason we can guarantee safety, security, and quality while still trying new things is because NEC has built up so much knowledge over time. What motivates me is my desire to roll up my sleeves and work alongside these financial institutions as business partners, and to celebrate our successes together. I hope that sharing the joy of co-creation with a great number of people will lead to the creation of major business.

Resolving Social Issues with Data Analysis and AI

Ever since joining NEC, I have worked in my role as a data scientist to solve problems using customer data. I joined NEC because I had majored in machine learning and data analysis as a student and wanted to help solve real-life problems, and at the time, it was one of the few places where I could find work as a data scientist. In addition, NEC’s AI technology is not a black box. Instead it uses proprietary, white box technology that makes it possible to understand how a certain result was obtained. I think this is an appealing point for customers and one of the reasons they recommend us to new customers.

To me, NEC’s strengths are its proprietary technologies, the employees, who are active in a wide range of areas outside the Company, and the deep well of knowledge and expertise that the Company has built up through the people who have come through its doors. Right now, we are extending our range beyond data analysis to support system integration in light of customer issues. We are also trying to address an issue that has come to light in recent years, specifically, the issue of developing human resources. The belief among many companies is that there is a particular need for personnel with DX literacy, so we are proposing educational consulting to help these companies learn to develop such competency. I find work like this to be very meaningful in that we are not just verifying the validity of AI, but we are actually putting it into practice.

I would like people to feel more comfortable with AI in the future. I think that for this to happen, we need to get AI to a place where it can play an active role in benefiting our lives, in places we wouldn’t think of, and in ways we don’t notice. I’m also interested in AI applied to law enforcement and other areas related to safety and security. I would also like to see AI used for disaster prevention, partly because Kiyosu, where I’m from, has had a lot of flood damage in recent years. I believe, if used right, AI could save lives.

Yuji Tahara
Product Manager
Smart Retail Department

What Changing Careers Has Taught Me

I am currently involved in customer DX strategy and business process improvement as part of the Strategy Consulting Division. After joining NEC, I worked in corporate sales, but as I took on projects, I saw more and more cases of NEC weakness on the upstream side, such as strategic planning and framework creation. These experiences led me to try my hand at upstream projects via the NEC Growth Careers program.

After two years, I think I have acquired these “powers.” The first is goal-oriented thinking—instead of asking how something will get done, I think of what needs to be done and why. The second is critical thinking—I keep asking myself questions while keeping the goal in mind. Finally, the third is the power of project management—the ability to design and manage processes that will get us to our goal.

When we offer strategically important upstream services alongside our existing system integration services, we increase the chances to interact with our customers at the management level. As a result, we have had more opportunities than ever before to experience the high standards that NEC associates with NEC. One case in particular shook my hand and said, “Thank you for getting this project done right!” It’s moments like these that I truly feel I am providing customers with even more value than when I was a sales rep.

The division I work in is only three years old, but I think we offer a new power to NEC, in that we support the Company in going beyond the “how” so that it can focus on the “what” and the “why.” It would make me happy if the people working at NEC could use this power to inspire change in themselves.

Ryoichi Sonezaki
Assistant Manager
Operation Consulting

Naonobu Amari
Director
Digital Finance Department

Mayuko Tatewaki
Senior Vice President in charge of Global 5G Business

Yuji Tahara
Product Manager
Smart Retail Department

Saki Nagaki
Data Scientist
AI Analytics Department

Resolving Social Issues with Data Analysis and AI

I joined NEC as a new graduate hire in 2004. After gaining experience in sales for major telecom carriers, I shifted to sales aimed at retailers. Now, we are developing DX solution services for retailers that utilize video.

Retail needs to be able to respond to change more than any other industry, so much so that we call it a change-responsive industry. This means that vendors have to provide flexible systems that can withstand these changes.

I have noticed some major themes appear in recent years, specifically the improvement of operations and of customer experience. I believe that the customers associate with NEC: One thing is the ability to convert numerical information to ascertain a greater understanding of the sales floor, which can help shorten work time. I also see great potential in using visualization and analysis of customer purchasing habits to better match their interests and preferences.

Previously, most of our business was conducted by listening to customer concerns and addressing them on a one-to-one basis, but to succeed in the future, NEC needs to make its technology-based services simpler, with wider access. We repeatedly step up our services by thoroughly interviewing a variety of customers about what they need, verifying these needs, and then addressing them.

Above all, what’s important to me is that you enjoy what you do. This is no different for shoppers or the people working at the stores. Customers will come if the people behind the counter enjoy what they do. I hope we can achieve this with the power of technology.

Ryoichi Sonezaki
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Director
Digital Finance Department

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Above all, what’s important to me is that you enjoy what you do. This is no different for shoppers or the people working at the stores. Customers will come if the people behind the counter enjoy what they do. I hope we can achieve this with the power of technology.
NEC promotes environmental management in order to realize a sustainable society as put forth in the NEC Way. As part of its corporate responsibility, NEC seeks to reduce the environmental impact of its activities by conserving energy at its facilities and during transport and by reducing the chemical substances it uses. To that end, we have established the NEC Environmental Policy and take close care to ensure that all actions of employees and corporate officers comply with the policy and engage in activities with consideration for the environment. We also help reduce the environmental impact of our customers and society as a whole on the planet by providing environmentally friendly products and services that utilize ICT and our own unique technologies. The NEC 2030VISION, our ideal vision for the future in 2030, includes environmental initiatives, and we will demonstrate the value of NEC by improving and resolving a variety of environmental issues.

**NEC Environmental Policy**

NEC views the operation of business in harmony with the environment as one of its top priority issues and is committed to reducing the environmental impact of the entire global supply chain and contributing to a sustainable society.

1. We will create social value focused on delivering ICT solutions and services leveraging advanced technologies to contribute to their adaptation, and we will contribute to the reduction of the environmental burden on customers and the global environment and to the mitigation of the impacts of climate change.
2. We will assess the environmental impact throughout the entire life cycle of ICT solutions and service development with considerations for reducing environmental burden.
3. We will comply with environmental laws and regulations associated with our business activities, honor agreements with stakeholders, and strive to conserve energy, save resources, and prevent environmental pollution caused by chemical substances and waste along the entire supply chain.
4. We will prioritize the procurement of environmentally friendly hardware, software, and services.
5. We will disclose environmental information regarding our business activities, ICT solutions, and services to our stakeholders.
6. We will raise the environmental awareness of each and every one of our employees worldwide and contribute to the conservation of the global environment through the promotion of climate change action, resource circulation, and biodiversity.
7. We will strive to improve an environmental management system with environmental targets and conduct periodic reviews to realize continual improvement.

**Environmental Initiatives for Realizing a Sustainable Society**

<table>
<thead>
<tr>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>In 2009, NEC established the NEC Environmental Policy.</td>
<td>Mid-term Management Plan 2025</td>
<td>Business related to carbon neutrality as the main pillar of business growth</td>
<td>SBT 1.5℃</td>
<td>Recertified (updated target) in May 2021</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Zero CO₂ emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource circulation</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Living Harmoniously with the Earth to Secure the Future

Scenario Analysis

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

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

Findings from the Scenario Analysis

- Each scenario uncovered risks and opportunities that affect public services from the perspectives of society, industry, and daily life, making it important for NEC to factor climate change into any of its businesses that provide value for these services.
- There are market opportunities and areas where NEC can show its strengths depending on the scenario, specifically local energy management for emphasis on local government. We evaluated four scenarios presented by climate change in 2030 and 2050.

Environmental Targets of the NEC Eco Action Plan 2025

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

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

2. Increase Contributions through Businesses

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Shared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visulization</td>
<td>CO2 emissions (Scope 1, 2, 3)</td>
</tr>
<tr>
<td>Business reforms and efficiency improvements</td>
<td>Calculation of reductions</td>
</tr>
<tr>
<td>Stylework improvements</td>
<td>Solar power generation</td>
</tr>
<tr>
<td>Use of renewable energy</td>
<td>Virtual power plant</td>
</tr>
<tr>
<td>Other</td>
<td>Other decarbonization solutions</td>
</tr>
</tbody>
</table>

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

For more details, please refer to the “Scenario Analysis” section on page 41 of Sustainability Report 2022.
NEC’s Resource Aggregation Business

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

Expansion of business

Decarbonization management solutions
Circular economies
Energy management

Contribution toward a decarbonized society

- Uptake of renewable energy
- Improved resource productivity in industrial sectors

Economic effect of CO2 reduction: 90.0 trillion yen


Green Digital Government Business: Putting KMD’s Knowledge to Work

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

Water Risk Management and Effective Water Usage

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

Resource Circulation and Pollution Prevention

NEC strives to lessen environmental impact through initiatives aimed at resource circulation and waste reduction across every process, from production through to usage and recycling. In particular, we are working to collect and recycle hardware products that have been used by customers, since many resources are used in their production.

Biodiversity

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

External Evaluations Regarding the Environment

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

**NEC Group Human Rights Policy**

NEC formulated the NEC Group Human Rights Policy, declaring its intention to advance initiatives to respect for human rights across its entire value chain through dialogue and consultation with stakeholders and by implementing human rights due diligence.

In June 2022, this policy was revised and these revisions clearly show senior management’s commitment to respecting human rights as well as its governance system, as required by the United Nations Guiding Principles on Business and Human Rights (UNGPs). The policy’s revisions were reported to the Board of Directors in fiscal 2023.

The NEC Group Human Rights Policy applies to all officers and employees of NEC and its consolidated subsidiaries, including fixed-term contract employees, temporary employees, and part-time employees. We also encourage our customers, business partners, and customers to understand this policy and share our commitment to respecting human rights.


**Promoting Human Rights Due Diligence in Accordance with the UNGPs**

In fiscal 2020, we utilized the human rights risk data of the international NPO Business for Social Responsibility (BSR) to compile a list of NEC’s human rights issues. From this list, three salient human rights issues were identified and reported to the Board of Directors in fiscal 2021—new technology and human rights (AI and human rights), labour in supply chains, and employee safety and health.

In fiscal 2021, from a third-party standpoint BSR conducted interviews targeting 22 divisions with a particular focus on business divisions to confirm the specific details of the business activities and management systems of these divisions as well as the issues they face in front-line operations. Subsequently, the list of human rights issues was updated to better reflect actual situations.

In fiscal 2022, we also conducted a gap analysis at the corporate level with the UNGPs and leading global companies as part of efforts to visualize issues at NEC. Results of the analysis made it clear that, to prevent and mitigate human rights risks according to global trends, NEC needs to clarify its system for governing respect for human rights as well as its policy regarding human rights initiatives, and it must also respond to risks from the impact of conflicts and in high-risk countries and regions, which are general issues within NEC.

Therefore, in fiscal 2023, the Risk Control and Compliance Committee furthered discussions with the Sustainability Advisory Committee regarding human rights associated with geopolitical risks and the newly identified “human rights risks related to geopolitical situations and conflicts” as a salient human rights issue. From these discussions a resolution was reached, which was then reported to the Board of Directors and made as part of an effort to improve NEC’s system for preventing and mitigating human rights violations in the value chain.

For more details, please refer to “The Progress of Sustainability Promotion and Our Response to the Human Rights Risks under Purpose-driven Management” on page 5 of Sustainability Report 2022 and “Topic: Respecting Human Rights” on page 27 of the same report.

**NEC’s Human Rights Issues**

- New technology and human rights (AI and human rights)
- Human rights risks related to geopolitical situations and conflicts
- Labour in supply chains
- Employee safety and health

**Employee Safety and Health**

NEC establishes targets for each fiscal year in accordance with its Companywide OH&S Policy Action Guidelines and the NEC Group Health Declaration. To meet these targets, we prepare and implement specific measures for each in-house geographical area, business site, and consolidated subsidiary in Japan. Regarding indicators for these measures, we set KPIs based on the World Health Organization’s definition of health as “a state of complete physical, mental, and social well-being.” Furthermore, the CHRO works under the direction of the CEO to oversee activities related to OH&S throughout the Company, including risk management, and then report on these activities to the Board of Directors.

**New Technology and Human Rights (AI and Human Rights)**

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

In addition, we are actively involved in the following engagement and knowledge-sharing activities in order to promote proper usage of AI, not only within the NEC Group but throughout society as a whole.

**Participation in Discussions on AI and Public Interest at Davos Annual Meeting 2022**

At the World Economic Forum Annual Meeting 2022, President Morita participated in a panel discussion, titled “AI on the Street: Managing Trust in the Public Square.” During the discussion, he gave his opinions in response to the question “How can we make sure the use of AI in public services and spaces does not go against the public interest?” highlighting the following points.

- It is important to alleviate society’s concerns about technology and build trust in the technology and its bearers.
- It is important to use case studies to foster a common understanding among the government, the private sector, and the general public, regarding how technology can benefit the public.
- In addition to public institutions, private companies should have a hand in creating governance frameworks related to the proper use of technology to ensure accuracy and transparency of technologies and protect privacy of individuals.

This involvement will ensure trust in the systems and ultimately trust in AI.

**Labour in Supply Chains**

NEC has designated “supply chain sustainability” as a material issue (materiality) and is enhancing cooperative ties with its suppliers through collaboration and co-creation. To address “labour in supply chains,” positioned as a salient human rights issue, we are moving forward with efforts such as inspections, audits, and corrective measures using a risk-based approach.

**Toward Further Development of Human Rights Initiatives in Procurement**

Since 2019, NEC has held regular dialogue sessions between executives, on-site supervisors, and external experts on human rights issues that can arise in procurement.

For the dialogue held in fiscal 2022, we invited back experts from the dialogue in fiscal 2021: Daiki Takashashi, representing Shinwa Law Offices, Ryoji Tanaka, representing International Labour Organization (ILO) Office for Japan, and Asako Nagai, representing Business for Social Responsibility (BSR). During the session, they looked back on sustainable procurement activities over the past year and discussed issues related to human rights initiatives. These experts also gave their opinions on what initiatives are needed going forward and their expectations of NEC over the medium to long term amid ongoing legislation regarding human rights, centered mainly in the United States and Europe.

For more details, please refer to the “Toward Further Development of Human Rights Initiatives in Procurement” section on page 92 of Sustainability Report 2022. 

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NEC Integrated Report 2022
Management That Supports Corporate Value Creation

Respecting Human Rights

New Technology and Human Rights (AI and Human Rights)

Labour in Supply Chains

Toward Further Development of Human Rights Initiatives in Procurement
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, in order to gain the trust of society and to help create sustainable social value.

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 Senior Director of the Sourcing and Purchasing Department. 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, the NEC Group Procurement Policy and the Guidelines for Responsible Business Conduct in Supply Chains require our suppliers, including upstream business partners, to implement responsible business conduct and identify the six priority risks.

With regard to human rights, the NEC Group Procurement Policy clearly rejects slavery and human trafficking, and the Guidelines for Responsible Business Conduct in Supply Chains prohibit forced labour and child labour, while respecting workers’ right to organize. The policy and guidelines also require appropriate wages and management of work hours.

Moreover, we perform due diligence on human rights in accordance with the Guidance from the OECD, identify and evaluate risks, and take steps to mitigate risks.

Document Checks, Evaluation of Results, and Feedback

NEC conducts self-assessments in order to assess the status of supplier compliance with requirements and initiatives relating to the fields of human rights, occupational health and safety (OH&S), the environment, fair trading, and ethics, and information security.

For one type of these document checks—sustainable procurement self-check sheets—we newly added important inspection themes for foreign national technical intern programs and COVID-19 countermeasures. We received responses from 956 companies out of the 1,015 companies we queried, and evaluated the status of each supplier on a five-point scale.

Step 1

1. Gather and evaluate information about risks specific to the ICT sector, regions, and NEC companies based on the ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights, the International Trade Union Confederation (ITUC)’s 2020 ITUC GLOBAL RIGHTS INDEX, other external research reports, and internal analysis of our procurement structure.

Step 2

2. Identify high-priority business domains while referencing results of international NPO BSR’s evaluations of human rights impact; human rights risks to workers in manufacturing processes at overseas plants of suppliers, including outsourced production, human rights risks to foreign national apprentice interns in technical/training programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development.

Step 3

3. Conduct third-party audits by an external auditing firm that specializes in human rights. We have selected three suppliers based on evaluation of the scope and nature of potential impacts, while mapping the aforementioned risks across suppliers.

For more details, please refer to the "Supply Chain Management" section on page 88 of Sustainability Report 2022.
As business conditions become increasingly unclear, corporate governance is becoming increasingly important. Amid these trends, Outside Directors Kuniharu Nakamura and Christina Ahmadjian sat down for a candid exchange of opinions on NEC’s corporate governance and cultural transformation.

Assessing the Board of Directors

Nakamura
I have served as an outside director for NEC for three years, and I do believe that the Company’s corporate governance has improved over that time. Discussions on the composition of the Board of Directors are based on a matrix of members’ career experience and skills. I think that this increases the effectiveness of the Board because it ensures that the Board is made up of people from a range of backgrounds, such as people with experience in corporate management and those with knowledge of administration and foreign diplomacy. This means that the Board can discuss matters from several very different perspectives. More than anything, I feel like I can speak my mind, and that sort of environment is such an important thing to have. Adding to this, there have been some recent efforts to make these conversations more lively. In the past, a lot of time was spent on explanations, but now we can attend preliminary briefings for these explanations, which allows us to focus on discussing essential topics.

In addition, in order to get a deeper understanding of important items on the agenda, we hold off-site meetings separate from Board meetings, which provide us with opportunities to exchange opinions with executives, making it easier for us outside directors to convey our thoughts.

Ahmadjian
I have heard from people both inside and outside of NEC that the Company has changed quite a bit. I believe that this is the result of many efforts, such as instilling the NEC Way and improving workstyles and other systems, starting to bear fruit. I believe that the town hall meetings, where President Morita himself talks directly with employees, have had a particularly strong effect on improving employee engagement. Most employees do not get many chances to actually meet the senior management of their company in their regular workday, so I think this initiative is a very good way to bridge the gap and is something that I hope will continue in the future.

Nakamura
That’s right. I would also like to visit NEC offices and talk directly with employees in the field and see to what extent the ideas of the Company and the president reach them. I believe it is important that employees understand a company’s ideas and the role they play within these ideas. In addition, a company needs to engage in dialogues, discussions, and other forms of two-way communication with its employees to ensure the employees fully connect with these ideas. This is key to improving employee engagement further.

Ahmadjian
Non-Japanese employees also need to be engaged in order to improve NEC’s competitiveness as a global company. If employees leave a company feeling unengaged, people around them will avoid that company as a potential place of employment, which could prevent the company from acquiring the best and brightest. With that in mind, I want to see NEC be extra cognizant of the engagement levels of young and foreign employees and remain mindful of the abilities of these employees’ supervisors.

Expectations for NEC Going Forward

Nakamura
First and foremost, NEC needs to accomplish the goals of the Mid-term Management Plan 2025. Time and time again, NEC has fallen short of the goals put forth in these plans, costing it the trust of its investors and other stakeholders. Trust is the cornerstone of corporate management, and employees should know that winning this trust back will take a great deal of time and effort. I would also like NEC to build trust by making steady progress business-wise, implementing its cultural transformation reforms and delivering on its promises. It is also important for NEC to provide a clearer image of what it is as a company. There are likely some stakeholders who see NEC for its abundance of superior technology but feel left in the dark about its specific business and its vision for the future. In order to quell this feeling, I would like to see NEC increase its social value by providing specific details as to how it will use its technology to contribute to society and do so in an easy-to-understand manner.

Ahmadjian
I would also like to see NEC demonstrate its excellence, and put its unique capabilities on display, both in Japan and abroad as well. NEC not only has unique and best-in-class technological capabilities but also an open and flat corporate culture, with strong leadership from its management team. I hope that by highlighting these points in a clear, understandable way the Company will acquire their most important resources, human resources.
Management That Supports Corporate Value Creation

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

The Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

Main Matters Discussed in Nomination Committee in Fiscal 2022 (Number of meetings: 8)
- Evaluation of the effectiveness of the Nomination Committee
- Determination of candidates for Directors and A&SBMs
- Sale of strategic shareholdings

Main Matters Discussed in Compensation Committee in Fiscal 2022 (Number of meetings: 8)
- Nomination related
- Change in maximum tenure for the Chairman and corporate officers
- Strengthening of the Board structure and selection of candidates
- Nomination of Directors, A&SBMs, and important corporate officers
- Succession planning for the President

Table: Board of Directors

<table>
<thead>
<tr>
<th>Purpose, Activities, and Number of Meetings</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Directors</td>
<td>Chairman of the Board (Chairman of the Board of Directors)</td>
</tr>
<tr>
<td>4 Directors</td>
<td>4 Independent Outside Directors</td>
</tr>
<tr>
<td>4 Directors</td>
<td>5 A&amp;SBMs</td>
</tr>
</tbody>
</table>

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:

- In cases other than the above: up to four companies in addition to NEC Corporation
- 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:

The Company has adopted the Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) to provide a double-check process: the Board of Directors supervises business execution and the Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) audits the legality and validity of the Company’s activities. Furthermore, the Company has established a hybrid structure by utilizing a corporate officer system, a chief officer system, and two committees, the Nomination Committee and the Compensation Committee, which were established voluntarily and comprise a majority of Independent Outside Directors. In this way, the Company separates business execution from management supervision and has been working to ensure transparent and sound management, and timely decision-making.

In the future, the Company will focus its efforts on enhancements and improvements of this system in order to realize more effective corporate governance, responding to changes in the business environment.

Business Execution

The Executive Committee discusses 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 2022: 14)

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 2022: 12)

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:

- In cases other than the above: up to four companies in addition to NEC Corporation
- When an appointee serves as an executive of the Company or another company: only one company in addition to the company where a candidate for Director or A&SBM serves as an executive

The Company has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) to further enhance the deliberations and ensure appropriate decision-making. (Since June 2020)

The Audit & Supervisory Board holds regular meetings basically once a month and extraordinary meetings as necessary, decides on audit policies, standards, and important matters pertaining to the Board of Directors.

The majority of the committee members are independent Outside Directors and one appointment is made from among the independent Outside Directors.

The majority of the committee members are independent Outside Directors, and the chairperson is appointed from among the independent Outside Directors.

The Board of Directors is responsible for making important decisions for the Company’s business execution, including decisions on its basic management policies, in addition to supervising overall business execution. It holds regular meetings basically once a month and extraordinary meetings as necessary.
Main Initiatives for Strengthening Corporate Governance

**Strengthening of Management and Supervisory Functions**

- Introduced chief officers and strengthened the corporate functions of NEC
- Established Compensation Committee
- Established Nomination and Compensation Committee
- Introduced stock compensation system
- Increased the ratio of performance-based remuneration for executive directors
- Ratio of Independent Outside Directors: 52.0%
- Majority of Directors are non-executive
- Ratio of Independent Outside Directors: 41.7%
- Corporate officers entered with one-year mandate contracts to clarify responsibilities and authority
- Established the authority delegated to the Chief Officers to strengthen corporate functions and accelerate the speed of decision-making

**Revisions to Remuneration for Directors**

- Ratios of Outside Directors: 45.5%
- Majority of Directors are non-executive

**Enhancing 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, the Company added one Independent Outside Director in fiscal 2022.

As a result, the Company achieved its goals with regard to increasing the proportion of Independent Directors, women, and non-Japanese on the Company’s Board of Directors and raising its overall independence and diversity.

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**Career Skill Matrix for Directors**

The Company’s Nomination and Compensation Committee (the Nomination Committee from June 2022) regularly confirms the sufficiency level as the Board of Directors for the career background and skills particularly expected of Directors based on the Career Skill Matrix and makes use of the results in deliberations for election of candidates for Directors in the future and other matters.

**Skills**

- Corporate management: Practical knowledge on company management based on experience as chief executive officer of companies, etc.
- Technology: Business experience or specialized knowledge on technology related mainly to ICT and digital transformation
- Global business: Leadership experience in multinational firms or specialized knowledge on global markets
- Financial accounting/investment: Experience as chief financial officer of large-scale organizations, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
- Risk management: Risk management experience in accounting, legal affairs, technology, cybersecurity, etc., or large-scale organizations, or specialized knowledge on international and domestic legal affairs
- Sustainability/ESG: Knowledge about diverse values on female, foreign nationalities, people with disabilities, etc.; leadership experience in ESG activities or specialized knowledge on ESG management
- Marketing: Leadership experience in the marketing or brand strategy department or the sales department, or specialized knowledge on business-to-business transactions and marketing

**Nomination of Officers and Building a Remuneration System to Strengthen Our Governance**

The Company established the Compensation Committee in 2001, and the Nomination and Compensation Committee in 2010, which had the added function of deliberating on the nomination of officers. Altogether, this committee deliberated on the nomination and compensation of officers from an outside perspective. For the purpose of enhancing deliberations and deepening discussions on matters related to nominations and compensation, the Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

The Nomination Committee also deliberates on succession planning for the President. The Company selects and trains suitable personnel as future candidates for President and executive positions, and the Nomination Committee also looks into policies that will help develop the next generation of human resources. The Compensation Committee deliberates on matters that include revisions to the Company’s remuneration system and the appropriateness of remuneration amounts.

The efforts of these committees will strengthen corporate governance over the medium to long term.
Revisions to Remuneration for Directors

Our Approach to Remuneration for Directors and A&SBMs
To maximize corporate value and strengthen its competitiveness, the Company’s basic policy on the remuneration for Directors and A&SBMs is to set the level and structure appropriate for a global company, which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. In order to ensure objectivity and appropriateness of the remuneration for Directors and A&SBMs, the level of remuneration is determined upon the results of a third party’s investigation regarding the remuneration levels of other companies whose business operations and scale are similar to those of the Company.

In 2017, the Company introduced the stock compensation system, and in 2019, the Company 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.

In addition, the Company 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.

<table>
<thead>
<tr>
<th>Type</th>
<th>Basic Remuneration</th>
<th>Bonuses</th>
<th>Stock Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed remuneration</td>
<td>Short-term incentive</td>
<td>Medium- to long-term incentive</td>
</tr>
<tr>
<td>paid monthly</td>
<td>Performance-based</td>
<td>Performance-based</td>
<td>Fixed stock</td>
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<tr>
<td></td>
<td>component</td>
<td>component</td>
<td>compensation</td>
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</table>

Indicators
For all executive directors, basic remuneration increases based on performance indicators include non-financial indicators such as practical implementation of the NEC Group’s business strategy and management (revised from an ESG perspective).

In addition, the Company has introduced the stock compensation system, and in 2019, the Company 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.

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<td>compensation</td>
</tr>
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</table>

Indicators
For all executive directors, basic remuneration increases based on performance indicators include non-financial indicators such as practical implementation of the NEC Group’s business strategy and management (revised from an ESG perspective).

Evaluation of Effectiveness
As stated in the NEC Corporate Governance Guidelines, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year and improves the function of the Board of Directors, and discloses a summary of the results of such analysis and evaluation. The Company also conducts evaluations of the effectiveness of the Nomination and Compensation Committee (the Nomination Committee and the Compensation Committee from June 2022), and the A&SB in the same manner.

For more details about evaluations of effectiveness, please refer to NEC’s Corporate Governance Report: https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Attendance Rate, the Number of Meetings Held and Attended by Each Director and A&SB for Meetings of the Board of Directors, the Nomination and Compensation Committee, and the Audit & Supervisory Board (KANSAYAKU-KAI) in Fiscal 2022

<table>
<thead>
<tr>
<th>Directors</th>
<th>Board of Directors</th>
<th>Nomination and Compensation Committee</th>
<th>A&amp;SBs</th>
<th>Board of Directors</th>
<th>Audit &amp; Supervisory Board (KANSAYAKU-KAI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Nino</td>
<td>100% (14/14)</td>
<td>—</td>
<td>Nobuhiro Odake*1</td>
<td>100% (11/11)</td>
<td>100% (11/11)</td>
</tr>
<tr>
<td>Takayuki Morita</td>
<td>100% (14/14)</td>
<td>—</td>
<td>Nobuo Nakata</td>
<td>92.9% (13/14)</td>
<td>100% (15/15)</td>
</tr>
<tr>
<td>Hajime Matsukura</td>
<td>100% (14/14)</td>
<td>—</td>
<td>Masami Nitta</td>
<td>92.9% (13/14)</td>
<td>100% (15/15)</td>
</tr>
<tr>
<td>Motoo Nishihara</td>
<td>100% (14/14)</td>
<td>—</td>
<td>Hajime Kioushita*2</td>
<td>100% (3/3)</td>
<td>100% (4/4)</td>
</tr>
<tr>
<td>Noriko Iki</td>
<td>100% (14/14)</td>
<td>—</td>
<td>Isamu Kawashima*2</td>
<td>100% (14/14)</td>
<td>100% (15/15)</td>
</tr>
<tr>
<td>Masatoshi Ito</td>
<td>100% (14/14)</td>
<td>100% (8/8)</td>
<td>Taeko Ishii*2</td>
<td>100% (14/14)</td>
<td>100% (15/15)</td>
</tr>
<tr>
<td>Kuniharu Nakamura</td>
<td>100% (14/14)</td>
<td>100% (8/8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christina Ahmadjian*2</td>
<td>100% (11/11)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nobuhiro Endo*2</td>
<td>92.9% (13/14)</td>
<td>100% (8/8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noriko Ishiguro*2</td>
<td>100% (14/14)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuo Sato*2</td>
<td>100% (14/14)</td>
<td>100% (8/8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun Ohta*2</td>
<td>100% (14/14)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Appointed June 2021
*2 Retired June 2022

Excepting special circumstances, each Director and A&SB aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year, and each A&SB aims to have at least 75% attendance at meetings of the A&SB in a single fiscal year.

Amounts of Remuneration for Fiscal 2022

<table>
<thead>
<tr>
<th>Directors (of which Outside Directors)</th>
<th>Basic Remuneration</th>
<th>Bonuses</th>
<th>Performance-based Stock Compensation</th>
<th>Fixed Stock Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Headcount</td>
<td>Total amount (in millions of yen)</td>
<td>Headcount</td>
<td>Total amount (in millions of yen)</td>
</tr>
<tr>
<td>Takashi Nino (of which Outside Directors)</td>
<td>12</td>
<td>456 (65)</td>
<td>5</td>
<td>131</td>
</tr>
</tbody>
</table>

* The above headcount of remuneration includes one A&SBM (KANSAYAKU-KAI) who retired on June 22, 2021.

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

- Noriko Iki: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)
- Masatoshi Ito: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)
- Christina Ahmadjian*: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)
- Nobuhiro Endo*: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)
- Noriko Ishiguro*: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)
- Kuo Sato*: Total remuneration amount: ¥123 million (basic remuneration: ¥90 million; bonuses: ¥26 million; performance-based stock compensation: ¥28 million)

*1 Appointed June 2021
*2 Retired June 2022

Excepting special circumstances, each Director and A&SB aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year, and each A&SB aims to have at least 75% attendance at meetings of the A&SB in a single fiscal year.
In addition to financial risks, NEC works to gain a proper understanding of non-financial (ESG) risks that, if realized, may cause NEC to negatively impact the environment or society. As well as implementing effective and efficient measures to mitigate these risks, NEC is taking steps to turn these risks into business opportunities. As part of this initiative, 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**

NEC’s Chief Legal and Compliance Officer (CLCO), a member of the Board of Directors, is responsible for overseeing Companywide risk management and serves as Chairperson of the Risk Control and Compliance Committee. Every fiscal year, the committee, which comprises officers, selects Priority Risks as risks in particular need of countermepres, 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.

To supervise business execution, the Board of Directors receives reports on matters that include material misconduct and measures taken for the Priority Risks. In addition, the Board of Directors regularly confirms the effectiveness of the Company’s risk management and the operational status of the Company’s internal control system.

**Response to Priority Risks**

In fiscal 2021, one important risk, “risk management system in response to changes in risks” was selected as a Priority Risk. To address this risk, the Company adjusted its comprehensive risk management system and compiled a list of risks that NEC should be aware of. The Company assessed these risks in terms of likelihood and their impact on NEC and prepared a risk map visualizing the priority of each risk.

Based on this risk map, “risks of human rights violations in the value chain” was selected as a Priority Risk to be addressed in fiscal 2023, which was then reported to the Board of Directors. As one effort to address this risk, the Company revised the NEC Group Human Rights Policy in June 2022.

For more details, please refer to the “Respecting Human Rights” section on page 60.

**Major Risks & Opportunities and Related Initiatives**

Major risks and opportunities that NEC recognizes and key initiatives aimed at addressing them are listed on the right. We will review these risks as necessary to facilitate a flexible response to sudden changes that may occur.
Management That Supports Corporate Value Creation

Directors and Audit & Supervisory Board Members

[As of July 1, 2022]

Directors

Takashi Niino
Chairman of the Board (Representative Director)
Mr. Niino has extensive experience in the management of the financial solutions business and the NEC Group's management strategies, having been appointed as President (Representative Director) in 2018 and as Vice Chairman of the Board (Representative Director) in April 2021, where he continues to be engaged in the management of NEC. Since June 2022, he has served as Chairman of the Board (Non-executive Director).

Takayuki Morita
President and CEO (Chief Executive Officer) (Representative Director)
Mr. Morita has extensive experience in the management of the NEC Group's global business, accounting and financial strategies, management strategies and M&As as Senior Executive Vice President and CFO (Representative Director); Mr. Morita was appointed as President and CEO (Representative Director) in April 2021.

Hajime Matsukura
Executive Vice President, CHRO (Chief Human Resources Officer), CCOO (Chief Legal and Compliance Officer) and Member of the Board
Mr. Matsukura has extensive experience in the management of corporate strategies at the Company's corporate departments and in the NEC Group's operational entities. Mr. Matsukura is now in charge of the NEC Group's culture transformation, human resources strategies, and legal and compliance strategies as Executive Vice President, CHRO, CCOO and Member of the Board.

Moto Nishihara
Executive Vice President, CTO (Chief Technology Officer) and Member of the Board
Mr. Nishihara is now in charge of M&A as a corporate officer. Mr. Nishihara is now responsible for the NEC Group’s R&D, business development, and technology strategies in his role as Executive Vice President and CTO.

Osamu Fujikawa
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)
Mr. Fujikawa is now in charge of the NEC Group’s accounting, financial strategy, management strategies, and M&As as Executive Vice President and CFO.

Audit & Supervisory Board Members

Masatoshi Ito
Member of the Board
Mr. Ito has extensive experience as the manager of a manufacturing business and deep insight into marketing and corporate strategy. (Appointed in June 2016)

Kuniharu Nakamura
Member of the Board
Mr. Nakamura has extensive experience and deep insight into the NEC Group's operational reforms, Mr. Matsukura is now in charge of the NEC Group's culture transformation, human resources strategies, and legal and compliance strategies as Executive Vice President, CHRO, CCOO and Member of the Board.

Hajime Matsukura
Executive Vice President, CHRO (Chief Human Resources Officer), CCOO (Chief Legal and Compliance Officer) and Member of the Board
Mr. Matsukura has extensive experience in the management of corporate strategies at the Company's corporate departments and in the NEC Group's operational entities. Mr. Matsukura is now in charge of the NEC Group's culture transformation, human resources strategies, and legal and compliance strategies as Executive Vice President, CHRO, CCOO and Member of the Board.

Kyoko Okada
Audit & Supervisory Board Member
Ms. Okada has extensive experience and deep insight into the NEC Group's culture transformation, human resources strategies, and legal and compliance activities at the Company, and in legal and compliance strategies across the NEC Group as Senior Vice President and CCOO.

Fujikawa is now in charge of the NEC Group’s R&D, business development, and technology strategies in his role as Executive Vice President and CTO.

Osamu Fujikawa
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)
Mr. Fujikawa is now in charge of the NEC Group’s accounting, financial strategy, management strategies, and M&As as Executive Vice President and CFO.

Nobuhiro Odate
Audit & Supervisory Board Member (Full-time)
After many years of handling NEC’s supply chain strategy, Mr. Odate, 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.

Shinobu Obata
Audit & Supervisory Board Member (Full-time)
Mr. Obata has extensive experience and a proven record of performance, having been engaged in legal and compliance activities at the Company, and in legal and compliance strategies across the NEC Group as Senior Vice President and CCOO.

Nobuo Nakata
Audit & Supervisory Board Member
Mr. Nakata has extensive experience and deep insight as an attorney at law in the field of corporate law, including M&As. (Appointed in June 2020)

Masami Nitta
Audit & Supervisory Board Member
Mr. Nitta has extensive experience and deep insight relating to global corporate strategies, corporate governance, and diversity. (Appointed in June 2021)

Kyoko Okada
Audit & Supervisory Board Member
Ms. Okada has extensive experience and deep insight into the NEC Group's culture transformation, human resources strategies, and legal and compliance activities at the Company, and in legal and compliance strategies across the NEC Group as Senior Vice President and CCOO.

Osamu Fujikawa
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)
Mr. Fujikawa is now in charge of the NEC Group’s accounting, financial strategy, management strategies, and M&As as Executive Vice President and CFO.

For more details on the Directors and Audit & Supervisory Board Members (KANSAIYOU) of NEC Corporation, please visit the following URLs:
- Directors https://www.nec.com/en/global/about/executives/directors.html
- Audit & Supervisory Board Members (KANSAIYOU) https://www.nec.com/en/global/about/executives/audit.html

NEC Corporation has notified the Tokyo Stock Exchange, on which the Company lists its shares, of Ms. Noriko Iki, Mr. Masatoshi Ito, Mr. Kuniharu Nakamura, Ms. Christina Ahmadjian, Mr. Masashi Oka, Mr. Nobuo Nakata, Mr. Masami Nitta, and Ms. Kyoko Okada as independent Directors/Audit & Supervisory Board Members (KANSAIYOU).

NEC Integrated Report 2022
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.
**Revenue by Region**

- Public Solutions Business: 3,014.1 billion yen
- Public Infrastructure Business: 171.0 billion yen
- Enterprise Business: 167.2 billion yen
- Network Services Business: 84.1 billion yen
- Global Business: 391.2 billion yen
- Others: 13.3 billion yen

**At a Glance**

- **Public Solutions Business**
  - Revenue: 442.6 billion yen
  - Adjusted operating profit: 35.9 billion yen

- **Public Infrastructure Business**
  - Revenue: 608.4 billion yen
  - Adjusted operating profit: 59.2 billion yen

- **Enterprise Business**
  - Revenue: 574.7 billion yen
  - Adjusted operating profit: 57.5 billion yen

- **Network Services Business**
  - Revenue: 511.5 billion yen
  - Adjusted operating profit: 35.5 billion yen

- **Global Business**
  - Revenue: 485.6 billion yen
  - Adjusted operating profit: 26.3 billion yen

- **Others**
  - Revenue: 391.2 billion yen
  - Adjusted operating profit: 13.3 billion yen

**Corporate Data**

- **Revenue**
  - 3,014.1 billion yen
- **Adjusted operating profit**
  - 171.0 billion yen
- **Adjusted net profit**
  - 167.2 billion yen
- **Free cash flows**
  - 84.1 billion yen

**Note:** NEC revised its operating segments in the first quarter of fiscal 2023. Figures for revenue, adjusted operating profit, and composition of revenue for the fiscal year ended March 31, 2022 are restated to conform with the new segments, which have not been audited by the accounting auditors.
### Financial and Non-financial Highlights

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>¥3,036.8</td>
<td>¥3,071.6</td>
<td>¥3,043.1</td>
<td>¥2,935.5</td>
<td>¥2,824.8</td>
<td>¥2,665.0</td>
<td>¥2,844.4</td>
<td>¥2,913.4</td>
<td>¥3,095.2</td>
</tr>
<tr>
<td><strong>International revenue</strong></td>
<td>148.7</td>
<td>150.8</td>
<td>147.9</td>
<td>144.9</td>
<td>138.7</td>
<td>137.9</td>
<td>138.7</td>
<td>137.9</td>
<td>137.9</td>
</tr>
<tr>
<td><strong>International revenue ratio (%)</strong></td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>73.7</td>
<td>114.6</td>
<td>106.2</td>
<td>128.1</td>
<td>91.4</td>
<td>41.8</td>
<td>63.9</td>
<td>57.8</td>
<td>127.6</td>
</tr>
<tr>
<td><strong>Adjusted operating profit</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>72.5</td>
<td>69.9</td>
<td>145.8</td>
</tr>
<tr>
<td><strong>Adjusted operating profit ratio (%)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.5</td>
<td>2.4</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Net profit (loss) attributable to owners of the parent</strong></td>
<td>(110.3)</td>
<td>30.4</td>
<td>33.7</td>
<td>57.3</td>
<td>75.9</td>
<td>27.3</td>
<td>45.9</td>
<td>39.7</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Adjusted net profit</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>50.4</td>
<td>47.0</td>
<td>111.2</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>83.9</td>
<td>143.7</td>
<td>94.1</td>
<td>87.9</td>
<td>97.8</td>
<td>92.5</td>
<td>130.0</td>
<td>64.2</td>
<td>261.9</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(49.7)</td>
<td>(101.7)</td>
<td>(38.9)</td>
<td>(47.5)</td>
<td>(32.2)</td>
<td>6.4</td>
<td>(14.2)</td>
<td>(76.7)</td>
<td>(84.0)</td>
</tr>
<tr>
<td><strong>Free cash flows</strong></td>
<td>34.2</td>
<td>42.0</td>
<td>55.2</td>
<td>40.4</td>
<td>65.6</td>
<td>99.0</td>
<td>115.8</td>
<td>(12.4)</td>
<td>177.8</td>
</tr>
<tr>
<td><strong>R&amp;D expenses</strong></td>
<td>162.0</td>
<td>151.7</td>
<td>142.7</td>
<td>134.2</td>
<td>123.6</td>
<td>109.3</td>
<td>108.1</td>
<td>108.1</td>
<td>109.8</td>
</tr>
<tr>
<td><strong>Number of patents</strong></td>
<td>Approx. 64,000</td>
<td>Approx. 65,000</td>
<td>Approx. 68,000</td>
<td>Approx. 65,000</td>
<td>Approx. 53,000</td>
<td>Approx. 53,000</td>
<td>Approx. 51,000</td>
<td>Approx. 49,000</td>
<td>Approx. 47,000</td>
</tr>
<tr>
<td><strong>Capital expenditures (property, plant and equipment)</strong></td>
<td>42.0</td>
<td>45.6</td>
<td>98.7</td>
<td>37.4</td>
<td>36.3</td>
<td>31.5</td>
<td>45.4</td>
<td>62.7</td>
<td>67.4</td>
</tr>
<tr>
<td><strong>Depreciation (property, plant and equipment)</strong></td>
<td>53.3</td>
<td>51.2</td>
<td>45.2</td>
<td>48.5</td>
<td>50.5</td>
<td>49.9</td>
<td>63.8</td>
<td>64.4</td>
<td>123.4</td>
</tr>
<tr>
<td><strong>Per share data (in yen):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (loss) attributable to owners of the parent*1</strong></td>
<td>(42.44)</td>
<td>11.71</td>
<td>12.99</td>
<td>22.05</td>
<td>29.22</td>
<td>10.51</td>
<td>152.75*2</td>
<td>385.02*2</td>
<td>557.18*2</td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td>0.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>6.00</td>
<td>6.00</td>
<td>70*2</td>
<td>90*2</td>
<td>100</td>
</tr>
<tr>
<td><strong>Dividend payout ratio</strong></td>
<td>—</td>
<td>34.2</td>
<td>30.8</td>
<td>18.1</td>
<td>20.5</td>
<td>57.1</td>
<td>34.0</td>
<td>18.2</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,557.6</td>
<td>2,581.0</td>
<td>2,505.3</td>
<td>2,620.7</td>
<td>2,528.9</td>
<td>2,684.0</td>
<td>2,821.4</td>
<td>2,963.2</td>
<td>3,123.3</td>
</tr>
<tr>
<td><strong>Owners' equity*3</strong></td>
<td>657.0</td>
<td>710.7</td>
<td>695.9</td>
<td>823.7</td>
<td>769.8</td>
<td>854.3</td>
<td>880.8</td>
<td>858.9</td>
<td>910.7</td>
</tr>
<tr>
<td><strong>Return on equity (%)</strong></td>
<td>(15.6)</td>
<td>4.5</td>
<td>4.8</td>
<td>7.5</td>
<td>9.5</td>
<td>3.4</td>
<td>5.3</td>
<td>4.6</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Owners' equity ratio (%)</strong></td>
<td>25.7</td>
<td>27.5</td>
<td>27.8</td>
<td>31.4</td>
<td>30.4</td>
<td>31.8</td>
<td>31.2</td>
<td>29.0</td>
<td>28.7</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong></td>
<td>6,927</td>
<td>6,035</td>
<td>5,752</td>
<td>5,208</td>
<td>4,795</td>
<td>4,669</td>
<td>5,207</td>
<td>5,525</td>
<td>6,754</td>
</tr>
<tr>
<td>*<em>Debt-equity ratio (times)<em>4</em></em></td>
<td>1.05</td>
<td>0.85</td>
<td>0.83</td>
<td>0.63</td>
<td>0.62</td>
<td>0.55</td>
<td>0.59</td>
<td>0.64</td>
<td>0.74</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>109,102</td>
<td>102,375</td>
<td>100,914</td>
<td>98,882</td>
<td>98,726</td>
<td>107,729</td>
<td>109,390</td>
<td>110,595</td>
<td>112,638</td>
</tr>
<tr>
<td><strong>Ratio of female to all managers (%)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7.8</td>
<td>7.8</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Ratio of female to all managers (non-consolidated, %)</strong></td>
<td>4.9</td>
<td>4.9</td>
<td>5.1</td>
<td>5.2</td>
<td>5.4</td>
<td>5.5</td>
<td>5.8</td>
<td>5.9</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Employee engagement index (%)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>14</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td><strong>Improvement in energy efficiency of products (%)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17</td>
<td>35</td>
<td>74</td>
<td>71</td>
</tr>
<tr>
<td><strong>Greenhouse gas emissions (Scope 1 + Scope 2) (thousand tons)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>350</td>
<td>338</td>
<td>329</td>
<td>373</td>
</tr>
<tr>
<td><strong>Greenhouse gas emissions (Scope 3)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,410</td>
<td>7,606</td>
<td>7,585</td>
<td>6,996</td>
</tr>
</tbody>
</table>

*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 The amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.
*3 Owners' equity = Equity attributable to owners of the parent.
*4 The debt-equity ratio is calculated by dividing interest-bearing debt by owners' equity.
*5 As of April 1, the day following each fiscal year-end.
*6 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 this reason, the total differs from the sum of each scope.

For more detailed non-financial data, please visit the following URL: https://www.nec.com/en/global/csr/data/index.html
Corporate Overview

Company Name: NEC Corporation
Address: 7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established: July 17, 1899
Number of Employees (As of March 31, 2022): 117,438 (NEC Corporation and consolidated subsidiaries)
Total Number of Shares Issued (As of March 31, 2022): 272,849,863 shares
Stock Exchange Listing: Tokyo (Securities Code: 6701)
Shareholder Register Administrator: Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Classification of Shareholders (Shareholding Ratio)
(As of March 31, 2022)
- Japanese Government and Local Governments: 0.00%
- Financial Institutions: 31.14%
- Securities Companies: 3.72%
- Other Corporations: 6.95%
- Foreign Investors: 38.40%
- Japanese Individuals and Others: 19.79%

Number of Shareholders: 155,118

Major Shareholders (Top 10)
(As of March 31, 2022)

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>Number of Shares Held (Thousands of shares)</th>
<th>Shareholding Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>44,841</td>
<td>16.44</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust Account)</td>
<td>17,894</td>
<td>6.56</td>
</tr>
<tr>
<td>NIPPON TELEGRAPH AND TELEPHONE CORPORATION</td>
<td>13,023</td>
<td>4.77</td>
</tr>
<tr>
<td>Sumitomo Life Insurance Company</td>
<td>5,600</td>
<td>2.05</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY 505224</td>
<td>4,978</td>
<td>1.82</td>
</tr>
<tr>
<td>NEC Employee Shareholding Association</td>
<td>4,802</td>
<td>1.50</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY 505001</td>
<td>3,791</td>
<td>1.39</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust Account No. 4)</td>
<td>3,625</td>
<td>1.33</td>
</tr>
<tr>
<td>GOVERNMENT OF NORWAY</td>
<td>3,567</td>
<td>1.31</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385781</td>
<td>3,411</td>
<td>1.25</td>
</tr>
</tbody>
</table>

Note: The shareholding ratios are calculated by excluding the number of shares of treasury stock (16,428 shares).

Seung-eun Yogo World Ltd.

Sustainability


The above link offers further details of NEC’s approach to management for sustainability, based on ESG, Sustainability Report 2022, and related information.

Department in Charge: Sustainability Promotion Department

Investor Relations

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

Pooled 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.

Department in Charge: Investor Relations Office, Stakeholder Relations Department

Cautionary Statement with Respect to Forward-looking Statements

The 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;
- strong 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;
- changes in the NEC Group’s growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group’s industry and its commercialization new technologies;
- excess competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group’s concentrated customer base;
- potential deterioration of the NEC Group’s supply chain;
- potential failure in the products and services the NEC Group provides;
- potential inability to achieve target operating results;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- risks related to 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 natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group’s pension assets and defined benefit obligations; and
- potential failure of internal controls.

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 Annual Report, the accounting periods of the fiscal years ended March 31, 2021 and March 31, 2022 are referred to as fiscal 2021 and fiscal 2022, respectively. Any other fiscal years mentioned are referred to 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.