Contents and 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.” NEC Integrated Report 2023 comprises initiatives for achieving the NEC 2030VISION and the Mid-term Management Plan 2025, which are based on NEC’s “Purpose.” The “Message from the President” explains the philosophy behind the NEC Way and the NEC 2030VISION, and the Mid-term Management Plan 2025 explains NEC’s 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 DXAS Agricultural Technology, a joint venture between Kagome Co., Ltd. and NEC. 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.

NEC is a signatory to the United Nations Global Compact.
NEC’s Management for Sustainability

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.

Our Stance as a Company

Purpose

Orchestrating a brighter world

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

Principles

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

Our Stance as Good Businesspeople

Code of Values
Code of Conduct

The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself.
Let’s maximize NEC’s power to be ever-changing and create value for society by delivering on our promises.

Takayuki Morita
President and CEO
Aiming to Be an Indispensable Presence in the World

NEC has been transforming society for more than 120 years with the innovative and superior technologies it has amassed during this time. NEC’s Purpose, which is to create the social value of safety, security, fairness and efficiency to ensure a more sustainable world where everyone has the chance to reach their full potential, serves as the basis for all of the Company’s corporate activities. With a view to achieving this Purpose, I would like to translate NEC’s strengths, which help form the foundation of Japan’s infrastructure, along with its technologies and track record in supporting mission-critical systems, into new social value to ensure that NEC becomes indispensable throughout the world.

The NEC 2030VISION, which is based on our Purpose, concretely outlines NEC’s vision of a logically achievable society of the future. We aim to realize the NEC 2030VISION by leveraging our strengths and using the society envisioned across its three layers of Environment, Society, and Life as a compass to guide us forward.

Making Steady Progress Toward Achieving the Goals Set Forth in the Mid-term Management Plan 2025

I was appointed president and CEO of NEC in 2021. In the same year, we formulated the Mid-term Management Plan 2025, which clearly outlined how far we would progress over the following five years in our efforts to realize the NEC 2030VISION. Naturally, achieving the goals set forth in the Mid-term Management Plan 2025 and living up to the trust of all of our stakeholders is a commitment that I must fulfill as the person entrusted with the management of NEC.

Starting in fiscal 2024, NEC reorganized its business segments into IT Services and Social Infrastructure with the objective of building the optimal organizational structure for achieving the goals of the Mid-term Management Plan 2025. We also thought that the disclosure of information that makes it possible to track our progress was necessary. Shareholders and investors had also raised concerns that NEC’s organization was difficult to fully understand, so these measures also address feedback from the capital markets.

Two years have passed since we announced the Mid-term Management Plan 2025. Regarding global 5G business, although there have been developments in the business environment such as delays in international 5G markets getting off the ground, I believe that the Company as a whole is making solid progress from a financial standpoint at this midway juncture of the plan, with the domestic IT services business performing well by steadily capturing strong demand which exceeded our initial expectations. In terms of laying the foundation for achieving the Mid-term Management Plan 2025, we have been diligently working on establishing a global business structure and centralizing digital transformation (DX) products and services since I became CEO, and these efforts are also progressing as planned. We have also made progress in monetizing our intellectual property over the past few years, which has included the development of a global patent portfolio.

In June 2023, NEC transitioned to a Company with a Nominating Committee, etc., structure with the aim of increasing the speed of management decision-making and strengthening corporate governance. After engaging in spirited discussions with the management team for more than a year, we are convinced that this is the best possible organizational structure that can be conceived at this point in time.

We have made steady progress over the past two years. 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 “a hop and a step,” and I am growing increasingly confident in the current direction of the Mid-term Management Plan 2025 as I engage in dialogue with our stakeholders. Fiscal 2024 to 2026 will be our “jump” stage, where we will focus on achieving solid results.

For more details on the NEC 2030VISION, please follow the link below.

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**IT Services Business**

In Japan, there is strong demand for so-called DX investments, such as IT-based corporate management reforms and the digitalization of government services. It is important that we approach such customer initiatives as a partner that can provide end-to-end support, from analysis and discovery of customer issues to systems implementation and operation. To this end, we are working with ABeam Consulting Ltd., an NEC Group company that boasts some of the best consulting resources in Japan, to further strengthen our approach. We have also sharpened our competitive edge by forming global alliances with companies including Microsoft, AWS, Oracle, SAP, and ServiceNow. By using the Company as a testing ground, or “client zero,” so to speak, NEC has been able to show use cases for implementing cutting-edge technologies and develop proposals that have greater persuasive power. In addition, a range of NEC’s technological strengths and know-how, including digital IDs centered on facial recognition and data-driven cybersecurity services, will be consolidated into a common platform called NEC Digital Platform (NDP) to further expedite the deployment of such services to customers.

Internationally, we are promoting the Digital Government/Digital Finance (DGDF) business. NEC’s DGDF business is centered on three European companies we have acquired (NEC Software Solutions UK, KMD Holding A/S, and Avaloq Group AG), which are software as a service (SaaS)-based business models. Although there are concerns about the deterioration of business confidence in Europe, we believe that any impact on our business will be relatively minor given that the business of these three companies is aimed primarily at governments, municipalities, and financial institutions. We are working to create synergies through both cross-selling and the sharing of offshore resources, from which we hope to see results that will contribute to realizing the goals of the Mid-term Management Plan 2025. In June 2023, Avaloq formed a strategic business partnership with BlackRock, Inc., a U.S.-based investment management company, to provide integrated solutions for wealth managers and private banks by combining the strengths of both companies. By strengthening our market competitiveness in these ways and approaching a broad range of customers, I believe we can expand the DGDF business.

**Social Infrastructure Business**

The Social Infrastructure business operates in an area in which market growth is expected from the standpoint of economic security and the growing concern for security driven by geopolitical factors. In addition, the areas of telecommunications, aerospace, and national security are expected to see greater integration of technologies in the future to coincide with the rising concern for security.

For example, in the area of national security, initiatives have been launched in outer space, and the Japanese government has begun studies on the concept of satellite constellations that utilize optical communications. NEC will provide solutions for national security that help to ensure safety and security by maximizing and bringing together the strengths of NEC’s existing initiatives in optical communications technology, wireless technology, and defense encryption and security technology. In the global 5G business, one of our growth businesses, it is taking longer than initially expected for international carriers to fully implement Open RAN, however, the shift to open systems and virtualization is progressing steadily. There remain many opportunities on a global level, particularly in software, from a medium- to long-term perspective, including in the form of Netcracker Technology Corporation, an NEC company which has a strong global presence in OSS/BSS (operation support system/business support system software). We will control upfront costs for the time being, while assessing the timeline for market expansion.

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**Increasing NEC’s Corporate Value with an Eye to 2030**

To create greater social value with a view to realizing the NEC 2030VISION, NEC is also working on generating new growth businesses that stem from solutions to social issues.

The AI drug development business, one of NEC’s healthcare and life science-related businesses, is working on drug discovery, including personalized cancer immunotherapy, using a wide range of IT technologies, including AI, to meet the growing demand for personalized medicine that provides optimal medical care tailored to individual needs. In the field of agriculture, NEC has established a joint venture with Kagome Co., Ltd. and is working to realize sustainable agriculture that uses AI to produce greater crop yields with less fertilizer and irrigation. In addition, NEC has been developing carbon-neutral solutions for many years, and we hope to firmly establish disaster prevention and mitigation solutions as well as environmental solutions such as the visualization of CO2 emissions as our future pillars of growth.

In the development of these new businesses, we will seek potential in various forms of capital, including partnerships, without regard to ownership, to more quickly link technology to the
NEC’s \textit{Corporate Value \& Progress}

People Are the Key to Realizing Our Strategies

When innovating to create social value, increasing people’s execution capabilities and promoting inclusion and diversity (I&D) are two essential elements. Around 2000, NEC’s business performance declined due to changes in the business environment and other factors, and the company’s ability to execute its strategies weakened as a result of a lack of defined business strategies and a decline in employees’ trust in the Company. Therefore, we worked on reforming our execution capabilities in order to secure our future. The first step in our initiative to reform our execution capabilities was to transform NEC’s corporate culture to one where all employees could think independently and constantly try out new approaches. It is said that it takes a large company with an established history 10 years to change its corporate culture, and that results cannot be achieved in a short period of time. However, during the period of the previous mid-term management plan, which ran from fiscal 2019 to 2021, NEC’s management worked as one, with the resolve to never give up on reforming the Company—a task for which I have taken overall responsibility since fiscal 2022. As an indicator to measure the progress of the reforms, we set a target employee engagement score of 50% by fiscal 2026, which is among the highest in the world. This is not, however, merely a numerical target. It is about becoming an employer of choice by building a workplace in which diverse people who identify with the NEC Way can come together to maximize their individual abilities as part of a team that aims to realize NEC’s Purpose, and where like-minded people inspire each other.

The NEC Group’s engagement score was 36% in fiscal 2023, a significant increase from fiscal 2021’s score of 25%. That said, there remains a large gap between the current score and achieving our target of 50% by fiscal 2026. As we work to achieve our target engagement score, we are involved in ongoing efforts to increase employee satisfaction with the company’s strategy and direction through dialogue with more than 10,000 employees at monthly town hall meetings. In addition, the Company has introduced a remuneration system that compensates employees according to their market value, as well as NEC Growth Careers, an internal job posting system that supports employees in finding positions that will lead to their ideal careers by enabling them to fully utilize their experience and skills. We are taking various measures, such as enabling employees to design their own workstyles on an individual or team basis and achieve growth within the Company, by developing systems and mechanisms that allow employees to choose a workstyle that suits each individual so that they can approach their work with enthusiasm.

In addition to raising the execution capabilities of our personnel, I&D is indispensable in realizing our strategies. To adapt to market conditions and generate innovation, it is essential that we review and think about matters from different perspectives and make decisions without missing out on any opportunities. We will build a work environment where everyone, regardless of nationality, age, religion, gender, sexual orientation, gender identity, or physical ability can maximize their potential for business growth. We believe that such a work environment will serve as a catalyst for attracting a diverse and appealing workforce, and that by becoming a company that is chosen from a larger pool of talent around the world, by people who strongly identify with the NEC Way, our organization and culture, backed by diversity, will be a source of innovation in unpredictable times.
The Ability to Initiate Change and the Willingness to Keep Changing Are Necessary for Ensuring a Company’s Future

The 10 Principles of Management, compiled by Dr. Koji Kobayashi, who advocated NEC’s C&C (Computers and Communications) vision and led the Company’s “second founding,” contains the phrase “remember that stable companies are unstable and that unstable companies are stable.” I interpret this to mean that if a company stops changing and seeks stability in an ever-changing world, the company will be left behind and fall into decline. The ability to initiate change and the willingness to keep changing are necessary to ensure a company’s future. There are both risks and opportunities inherent in making such changes and transformations. For NEC to continue to be a company that is indispensable to the world, I believe it is crucial that we thoroughly implement the NEC Way, which is a common set of values that form the basis of how we conduct ourselves.

As we put the NEC Way into practice, I think it is important to be conscious of maintaining our integrity and creating a virtuous cycle of profit and innovation. Integrity carries the meaning of honesty and sincerity and is not just about complying or following rules. It is about sincerely doing the right thing for society, business partners, peers, and ourselves. We believe it is extremely important to create social value as an honest company through the actions of every one of our employees. The just reward for such sincere and proper actions is profit, which is then used as a resource to create new innovation and greater value. This cycle is how we will realize our Purpose.

The life span of a company is generally said to be around 30 years. I believe that the reason NEC still exists today, despite having faced numerous crises, is not only because of its technological strength, but also because of the strength of its people. And I believe that this strength is NEC’s power to be ever-changing. Since assuming the position of president and CEO, I have come to feel even more strongly that my most important role is to maximize the power to drive ongoing change. In order to fulfill this role, I am firmly committed to being an example of integrity that guides us toward greater value.
In keeping with its founding spirit of “Better Products, Better Services,” Nippon Electric Company, Ltd. (NEC) has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunications equipment and computers. NEC will continue to provide value to society, equipped with the strengths it has cultivated through such efforts while striving to sustainably enhance corporate value.

**Market Conditions**

In the 1910s, electricity became available to ordinary households, and the years following the 1923 Great Kanto Earthquake saw advancements in radio, television, and other forms of telecommunications. As the country worked to rebuild after World War II, Japan’s economy entered an unprecedented period of rapid growth in the 1950s, with the expansion of secondary industries bringing about major changes in people’s lifestyles.

In the 1970s, Japan’s core industries shifted to automobiles, electrical equipment, and electronics, and changes in the industrial structure gained pace during this decade. In the 1990s, as internet use became more widespread, the establishment of security infrastructures became a matter of critical importance while accelerated globalization led to intensified international competition.

In the 2000s, a global recession—including the burst of the dotcom bubble in the wake of interest rate hikes by the Federal Reserve Board and the financial crisis triggered by the bankruptcy of Lehman Brothers—led to full-scale deflation in the Japanese economy. Meanwhile, the growing popularity of mobile phones, personal computers, and the internet gave rise to dramatic shifts in the way people lived their lives.

**NEC’s History**

**Our First Establishment: 1899**
“Better Products, Better Services”

**Our Second Establishment: 1977**
C&Co Announced Integration of Computers and Communications

**Our Third Establishment: 2013**
Transformation into a Social Value Innovator

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.
**NEC’s Strengths**

**Strengths that are the source of our value creation**

NEC has long contributed to the development of its customers and society, for whom it resolves issues as they arise by supporting social infrastructure and mission-critical systems with information and communications technology (ICT). The technologies, human resources, and relationships of trust with our customer base that we have cultivated over our long history serve as our unique strengths and competitive edge.

People, our greatest management resource, form the foundation of our operations. We apply the technologies created by our talented human resources to guide customers and society in finding resolutions to issues they face, and by building a track record of achievements in this way, we have forged relationships of trust with our customer base. We have continued to reinforce our strengths through this cycle, enabling us to create value for society in any era, which in turn contributes to realizing a sustainable society.

We will strive to realize NEC’s Purpose by continuing to provide value to society led by these three strengths.

**Relationship between NEC’s strengths**

*Creating value for society*

**Technologies**

NEC is highly competitive on the world stage in the AI, telecommunications, and security domains. Building on these technological capabilities will enable us to swiftly adapt to rapidly changing social issues and diverse needs; increase creativity and productivity in society as a whole; and provide high-value-added products and services. We will continue to provide social value centered on these three domains.

For more details, please refer to “Innovation: R&D and Business Development” on page 30.

- **AI**
  - Specific technologies / services
    - Biometric authentication (such as facial recognition, iris recognition, fingerprint recognition)
    - Video recognition
    - AI-driven analysis and prescription

- **Communications**
  - Specific technologies / services
    - Mobile networks (5G)
    - Submarine cables
    - Deep space optical communications

- **Security**
  - Specific technologies / services
    - Cybersecurity
    - Consulting and risk assessment
    - Implementation and monitoring
NEC’s Strengths

Human resources

Viewing people as its greatest management resource, NEC has been investing in its personnel by transforming systems and environments that maximize the capabilities of its human resources. By nurturing our human resources and fostering an organizational culture in which employees have the passion and ambition to generate new business, take on challenges outside of their comfort zones, and see tasks through to the very end, we will promote the development of technologies that contribute to resolving social issues, building relationships of trust between the Company and its customers, and realizing NEC’s Purpose.

AI Specialists

NEC aims to develop useful AI that has practical applications. Indispensable to achieving this goal are human resources that can make full use of our various technologies and knowledge and support the implementation and operation of AI that is useful to our customers around the world. NEC’s highly experienced AI experts have formed a specialized team to help customers create value.

More than 500 specialized team members

Consulting Specialists

NEC provides one-stop support for all processes, from upstream to downstream, and uses its knowledge and expertise to drive forward projects in tandem with its customers. Additionally, the Company has established a system for supporting customers with ongoing updates after implementation.

Abeam Consulting Ltd. consultants: Approx. 6,900
DX strategy consultants: Approx. 300

Global Specialists

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.

For more details, please refer to “Developing People and Environments to Drive Innovation” on page 35.

DX Talent

In a VUCA* world, the promotion of DX in companies and greater society is becoming ever more crucial. To date, NEC has provided DX services to a broad range of customers. NEC has 8,000 DX specialists working to promote true digital management transformation for its customers through aggressive, data-driven business.

* VUCA: Volatile, Uncertain, Complex, Ambiguous

8,000 in total (fiscal 2023)

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Example 1 Digitalizing the Public Sector (IT Services Business)

To realize sustainable economic growth and improve productivity in society as a whole, systems and mechanisms throughout society must be dramatically overhauled and digitalized. In order to realize the safe and flexible establishment and operation of government services in a short period of time using cutting-edge digital technology, NEC provides a full range of services from consulting through to design, building, operation, and maintenance, to support efficient and systematic operation through digitalization and the creation of new services via public-private partnerships. In doing so, NEC will contribute to the realization of a comfortable society and future for all people.

Example 2 NEC’s 5G Technologies for Supporting Telecommunications Networks as a Social Infrastructure

For more than 120 years since its founding, NEC has been providing fixed-line and wireless communications technologies to telecom carriers while developing its expertise in these areas. Currently, we are working to make base stations smaller, more lightweight, and more energy-efficient to facilitate ease of installation and reduce operating costs, as well as to support efficient and effective 5G deployment through the use of open and virtualized cloud technologies. We will continue to work with industry-leading partners to contribute to the construction of communications networks that form the foundation of people’s lives and society.
NEC’s Businesses

To realize its Purpose, NEC promotes its businesses in the three areas of “IT services,” “social infrastructure,” and “others,” the latter of which includes the healthcare and life science businesses that will serve as the pillars of the Company’s future growth.

**IT Services**
- **Revenue:** ¥1,755.0 billion
- **Adjusted operating profit (%):** ¥168.0 billion (9.6%)

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

**Major Customers**
- Japan: Central and Local Governments, Financial and Industrial Sectors, Fire and Disaster Prevention, Broadcasting, and Electric Power Domains
- Overseas: National and Local Governments, Financial Sector, Others

**Social Infrastructure**
- **Revenue:** ¥1,062.2 billion
- **Adjusted operating profit (%):** ¥73.8 billion (6.9%)

**Business Outline**
- Telecommunications Services: Network Infrastructure
  - Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Submarine Systems
  - Software and Services for Telecom Operators (OSS/BSS)
- Aerospace and Defense: System Equipment, Systems Integration
  - (Systems Implementation, Consulting), and Support (Maintenance)

**Major Customers**
- Telecommunications Services: Domestic and Overseas Telecom Carriers
- Aerospace and Defense: Central Government, Aerospace Businesses

**Others**
- **Revenue:** ¥495.8 billion
- **Adjusted operating profit:** ¥23.8 billion

**Business Outline**
- Healthcare and Life-related Businesses
- Consolidated Domestic Subsidiaries

*The figures for revenue, adjusted operating profit, adjusted net profit, free cash flows, and composition of revenue are results for the fiscal year ended March 31, 2023 (IFRS).*
CFO Message

Maximizing Long-term Profit, Optimizing Short-term Profit, and Increasing Corporate Value through Achieving the Mid-term Management Plan 2025

Completion of the Second Year of the Mid-term Management Plan 2025

The Mid-term Management Plan 2025, which covers the period from fiscal 2022 to fiscal 2026, is driven by a fundamental policy in which we continuously improve our ability to generate cash from our business activities by maximizing long-term profit and optimizing short-term profit, and enhance corporate value through active investment. We have also set indicators to measure achievement. For one of these indicators, EBITDA, we have set a target annual growth rate of 9%. To raise capital efficiency, we have adopted ROIC as an indicator and set our fiscal 2026 target at 6.5%.

We have completed two years of the Mid-term Management Plan 2025 and are currently at the halfway point, the third year. Although we faced changes in the external economic environment, such as component shortages that emerged in the second quarter of fiscal 2022, and volatile exchange rates and price increases in fiscal 2023, we were able to minimize the impact of such issues by promptly formulating and implementing Companywide policies and measures. In the global 5G business, one of our growth businesses, we incurred temporary cost increases due to delayed market rise of Open RAN when compared to our initial expectations. Despite these issues, we were able to deliver results over the past two years that exceeded the revenue and adjusted operating profit forecasts set at the beginning of each year. This was accomplished by achieving a Companywide balance through efforts such as turning strong domestic DX demand into business opportunities and steadily improving the profitability of low-profit businesses.

In parallel with these business activities, we implemented two initiatives to strengthen the management systems that support our efforts to achieve the Mid-term Management Plan 2025. The first initiative was the building of logic trees aimed at improving Companywide corporate value. Through this process, we established optimal indicators not only for revenue and adjusted operating profit but also for capital efficiency in line with the characteristics and stages of individual businesses, and began applying these indicators in fiscal 2024. The second initiative was organizational reforms. In fiscal 2023, we introduced a flatter organizational structure by reducing hierarchy and transferring authority to facilitate dynamic and flexible resource allocation and faster decision-making. In fiscal 2024, we have established a business structure based on the strategic elements of the Mid-term Management Plan 2025, including the integration of related divisions to accelerate the core DX business and the ramping up of our efforts toward the digitalization of government and in the national security domain.

Through these measures, I believe that the Company has produced solid results in the first two years of the Mid-term Management Plan 2025 while steadily establishing a management foundation for achieving the goals set forth in the plan. We will continue to work toward achieving these goals while promptly and flexibly responding to changes in the business environment.

Osamu Fujikawa
Corporate Executive Vice President and CFO
(Representative Executive Officer), Member of the Board
Generating Cash

In fiscal 2023, free cash flow was ¥102.5 billion, a year-on-year increase of ¥18.4 billion. While we are still feeling the impact of the component shortages, inventories have been reduced to appropriate levels following the strategic buildup of stock in response to said shortages in fiscal 2023. Meanwhile, the improvement in operating cash flow was modest due to a temporary increase in working capital as sales were more heavily weighted toward the end of the fourth quarter than previously due to an imbalance in the timing of 5G investments made by domestic telecommunications carriers and other factors.

In fiscal 2024, we plan to generate ¥150.0 billion in free cash flow by leveling out our strategic inventories and temporary increases in accounts receivable and returning working capital to normal operating levels.

Over the past two years, the expansion of free cash flow has stagnated slightly due to the decision to respond to the macroeconomic environment as a priority. However, in accordance with the basic policy set forth in the Mid-term Management Plan 2025, we will continue to promote cash generation by increasing profits through boosting business profitability as well as improving asset efficiency and converting assets held to cash.

Generating Cash by Improving Business Profitability

In order to expand Companywide business profits, I believe that it is important to expand growth businesses outlined in our business strategy and to increase the profit margins of low-profit businesses. As CFO, I am hands-on in monitoring the improvement of our low-profit businesses. We have set an operating profit ratio of 7% as a hurdle rate to determine whether a business should continue operating. For businesses that do not meet the hurdle rate, I will sit down with the relevant business unit and hammer out a plan to increase the operating profit ratio to 7% or higher and implement measures for improvement. Thanks to the work we have completed to date, we have steadily raised the profitability of those businesses as a whole; and in fiscal 2023, we improved the adjusted operating profit ratio of low-profit businesses by 2.4%, to just over 6%.

In addition, four of the 16 businesses that we have been monitoring since fiscal 2022 have transformed their business structures, enabling them to generate stable profits, while four other businesses are also making steady improvements. Meanwhile, for those businesses that are deemed unlikely to achieve the hurdle rate by fiscal 2026, we will consider significant structural reforms, including partnering and carve-outs, as options to remove them from the portfolio.

Generating Cash by Improving Capital Efficiency

Since the previous mid-term management plan, we have been engaging 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. However, from fiscal 2022 onward, due to the strategic increase of inventories to cope with component shortages and sales leaning heavily toward year-end, our CCC rebounded to 70 days at the end of March 2023. Even excluding these special factors, the number currently stands somewhat higher than desired at 64 days. In fiscal 2024, we will first ensure that levels of these temporarily accumulated assets are normalized while simultaneously promoting further improvements by once again encouraging the leaders of each business unit to take action autonomously.

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 operations. However, placing too much emphasis on efficiency in new and growth businesses could curtail growth-oriented investments. As such, it is important to set targets for indicators that are in line with the characteristics and stages of each business, rather than aiming for Companywide uniformity. In the process of constructing the logic trees mentioned at the beginning of this message, appropriate indicators and numerical targets were selected for each business, for which PDCA implementation has begun in earnest in fiscal 2024. To enhance the effectiveness of this approach, we promote a shared understanding throughout the Company that we have an obligation to capital markets to generate profit that exceeds capital cost for our continued existence as a company, and we intend to further improve capital efficiency.
Generating Cash by Converting Our Assets
In April 2020, we set guidelines for eliminating cross-shareholdings. All cross-shareholdings possessed by NEC are subject to comprehensive annual review by the Board of Directors, in which the Board clarifies the strategic value of each holding and considers 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. Compared with the end of March 2020, over the course of three years, we have reduced our cross-shareholdings in listed companies from 108 to 33. We have already agreed upon the sale of many of the remaining 33 cross-shareholdings and are waiting for the right time to sell. As such, we have reached a point where we have, in principle, eliminated cross-shareholdings in listed companies. As for unlisted stocks, there are some that will take time to eliminate due to the circumstances that surrounded them from the time of investment, but we will continue to put forth our utmost efforts to do so.

In addition to cross-shareholdings, the Board also assesses the significance of continuing to hold real estate and other assets and actively promotes the conversion of such holdings into cash.

Capital Allocation
Through the measures I have mentioned, we aim to generate ¥1.3 trillion in operating cash flow over the five-year period from fiscal 2022 to fiscal 2026. Our policy is to retain the cash generated as surplus funds for investments in areas that will become growth drivers in the future, as opportunities arise aimed at increasing corporate value while prioritizing stable dividends and maintaining financial soundness. We will use the level of financial soundness currently evaluated by credit rating agencies as a guideline to be maintained over the medium term. Our basic dividend policy is to maintain a stable dividend payout ratio of approximately 30% on average over the five-year period.

In the dynamic ICT market, there is an abundance of investment opportunities for business expansion. Our basic approach to capital allocation is to translate these investment opportunities into the expansion of revenue and the enhancement of corporate value, thereby realizing capital gains and maximizing returns to shareholders while maintaining the stable dividends mentioned above.

Sales of Investment Securities
(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value</td>
<td>115.8</td>
<td>96.7</td>
<td>77.4</td>
<td>62.7</td>
</tr>
<tr>
<td>Listed companies</td>
<td>91.3</td>
<td>72.6</td>
<td>54.5</td>
<td>40.2</td>
</tr>
<tr>
<td>Non-listed companies*</td>
<td>24.5</td>
<td>24.1</td>
<td>22.9</td>
<td>22.5</td>
</tr>
</tbody>
</table>

* Excluding alliance companies

Cumulative sales: **¥135.4 billion**

Profit Cycle and Capital Allocation

1. **Sustained EBITDA growth** (CAGR: 9%)
   - Ensure returns from proactive expense management

2. **Manage CCC along with growth**
   - Use of leverage within the scope of maintaining financial soundness

3. **Optimization of portfolio assets including sale of cross-shareholdings (in principle, to zero)**

4. **Continued stable, long-term dividends**
   - (Average payout ratio: Approx. 30%)

5. **Underpin current credit rating**

6. **Investment pool that takes capital efficiency into consideration**
   - Digital Government / Digital Finance
   - Global 5G
   - Japan IT business (core DX), etc.

**Investment CF**

**Base investments**

**Growth investments**

**Operating CF** ¥1.3 trillion

**Financial soundness**

**Shareholder returns**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Expenditures</td>
</tr>
</tbody>
</table>

1 CF = Cash flow  2 FY2022-FY2026 total
Non-financial Strategies for Enhancing Corporate Value

Year after year, as social issues become increasingly complex and the demand for disclosure becomes increasingly strong, management based on integrated thinking is becoming increasingly important. Positioning non-financial strategies as an important foundation for sustainable growth, we not only disclose non-financial information in response to requests from external parties but also aim to utilize non-financial information for the sustainable enhancement of corporate value by further clarifying the link between non-financial strategies and financial aspects of the Company. In addition to working to reduce capital costs over the medium to long term from a risk management perspective, we will leverage the know-how we have developed through our in-house efforts to address issues such as climate change and information security to propose solutions to our customers, leading to expanded business opportunities and increased free cash flow. We are also conducting a causal analysis between indicators of corporate value and non-financial data and initiatives. I would like to incorporate non-financial indicators into data-driven management while we continue to accumulate data.

In July 2023, NEC issued a Sustainability-Linked Bond via a public offering in the domestic corporate bond market, the second issuance following that of last year’s. 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 they provide a way for us to engage in dialogue and co-creation with a variety of stakeholders related to our management of sustainability initiatives.

Final Remarks

In fiscal 2024, we intend to increase revenue by 2.0% and increase adjusted operating profit by approximately ¥15.0 billion, to ¥220.0 billion, through increased sales and efforts to improve profitability. Although the business environment remains uncertain due to concerns over economic recession caused by soaring global prices and geopolitical risks, we will strive to ensure steady business execution by capturing strong DX demand and fully leveraging our ability to respond to situational changes.

Also, from fiscal 2024, we will start to disclose non-GAAP profits and losses in addition to conventional adjusted profits and losses. This is to show more intrinsic profitability by removing one-time gains and losses such as expenses related to restructuring, impairment losses, and gains and losses on sales of real estate and businesses, as well as purchase price allocation amortization and other expenses recorded as a result of M&As, which are accounted for in conventional adjusted profits and losses. The practice of adjusting for these nonrecurring items is common in capital markets worldwide, and by reporting profits and losses in such a way, NEC intends to increase its comparability with global competitors.

We are in a time marked by 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. It could also be said, however, that such dramatic changes in market conditions make it easier for new opportunities to arise. With the digitalization of the world around us and the accumulation of data, NEC is seeing a major expansion in the areas in which it can generate social value by making full use of its AI and security technologies, as well as its engineering capabilities that leverage these technologies. The drug development business, which was once far remote from the world of NEC’s businesses, has now emerged because the digitalization of genetic information, starting with the sequencing of the human genome, and the development of immunology have advanced in sync with the evolution of AI technology.

Looking ahead to the NEC 2030VISION, we will combine NEC’s strengths and provide value to society. By doing so, we hope to achieve the goals of the Mid-term Management Plan 2025 and generate sustainable growth in corporate value.
NEC’s Value Creation Process

Under the Mid-term Management Plan 2025, NEC aims to connect its Purpose with strategy and culture based on the Company’s unique tangible and intangible assets, and to realize value creation through corporate action by putting its materiality into practice. By prioritizing material issues that contribute to the sustainable growth of the Company and greater society, NEC will provide value to various stakeholders and realize the NEC 2030VISION while contributing to the achievement of the Sustainable Development Goals (SDGs).

For more details on the NEC 2030VISION, please follow the link below.
NEC’s Approach to Materiality for Increasing Corporate Value

A part of our financial strategies in the Mid-term Management Plan 2025 involves identifying and implementing initiatives to address seven priority management themes to strengthen the non-financial foundation that encompasses ESG and underpins the sustainable growth of companies and society.

In fiscal 2024, we have further clarified our approach to increasing corporate value by addressing ESG issues in an integrated manner to both reduce risks and generate growth and opportunities. We positioned our seven priority management themes as our “Fundamental Materiality” with the objective of reducing risk and increasing our growth rate. We have also organized them into five social and environmental themes as our “Growth Materiality” under which we aim to create growth businesses during the Mid-term Management Plan 2025 to generate growth and opportunities while increasing our growth rate.

NEC will promote businesses with significant social, environmental, and economic value by addressing our Fundamental and Growth Materiality while aiming for continuous inclusion in major ESG indices.

Sustainability Advisory Committee—Providing an Opportunity for Dialogue with Stakeholders

NEC’s materiality was determined with reference to ISO 26000, the GRI Standards, the principles of the UN Global Compact, the SDGs and the SASB Materiality Map, among others, and through dialogue with experts in various fields and with representative stakeholders. The Sustainability Advisory Committee, in which the CFO and officers in charge of sustainability promotion consult with external experts on sustainability, holds high-level discussions on the theme of materiality that contribute to improving both corporate and social value and identifies the Company’s direction in times of high uncertainty and rapid change, leading to improvements in sustainability-related initiatives.

For more details on the Sustainability Advisory Committee, please follow the link below:
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 Purpose. We aim to transform ourselves into a company that pursues innovation and brings together diverse people under the NEC Way—the NEC Group’s common set of values that form the basis for how the Group conducts itself.

Mid-term Management Targets

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>FY2021 Results</th>
<th>FY2022 Results</th>
<th>FY2023 Results</th>
<th>FY2026 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,994.0</td>
<td>3,014.1</td>
<td>3,313.0</td>
<td>3,500.0</td>
</tr>
<tr>
<td>(Growth rate from FY2021)</td>
<td></td>
<td>0.7%</td>
<td>5.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>178.2</td>
<td>171.0</td>
<td>205.5</td>
<td>300.0</td>
</tr>
<tr>
<td>(Percentage of revenue)</td>
<td>6.0%</td>
<td>5.7%</td>
<td>6.2%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>165.4</td>
<td>167.2</td>
<td>186.8</td>
<td>185.0</td>
</tr>
<tr>
<td>(Percentage of revenue)</td>
<td>5.5%</td>
<td>5.5%</td>
<td>4.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>295.8</td>
<td>304.0</td>
<td>347.8</td>
<td>450.0</td>
</tr>
<tr>
<td>(Percentage of revenue)</td>
<td>9.9%</td>
<td>10.1%</td>
<td>10.5%</td>
<td>12.9%</td>
</tr>
<tr>
<td>ROIC²</td>
<td>4.7%</td>
<td>3.9%</td>
<td>4.7%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

¹ EBITDA = Gross profit – SG&A expenses – Depreciation/Amortization
² ROIC = (Unadjusted operating income – Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets (including minority interest))

Achieving 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.

Strategies and Culture

**Purpose**

- **Strategy**: EBITDA Growth Rate: 9% Annual Average (FY2021–FY2026)
  - 50% Engagement Score (FY2026)

**Business Strategy**

- **Digital Government/Digital Finance**: Transform into a top-class vertical SaaS vendor in the global DG/DF market
- **Global 5G business**: Aim for 20% market share in the Open RAN market in 2030, including expansion in the Japanese market from primarily a base station hardware provider to a full software and hardware solutions provider
- **Core DX business**: Expand our value proposition through a comprehensive approach encompassing consulting to delivery
- **Future growth businesses**: Create growth businesses that will realize the NEC 2030VISION with strong technologies and inbound innovation
- **Base businesses**: Maintain profitability above our competitors for our high- and medium-profit base businesses
- **Financial Strategy**: 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
- **Culture**: Transformation of culture and how we work
**Business Strategy**

**IT Services**

**Organizations and Business Segments/Domains**

- **Public sector**
  - Central government & local government
  - Postal services and schools / Other educational institutions
  - Fire and disaster prevention, transport, lifeline services, and media
- **Private sector**
  - Finance
  - Retail and services, Manufacturing

- **Japanese market**
  - Public Solutions Business Unit
  - Cross-Industry Business Unit
  - Enterprise Business Unit
  - Digital Business Platform Unit
- **International market**
  - DGDF Business Unit

**Revenue**

<table>
<thead>
<tr>
<th>Fy</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 (Results)</td>
<td>1,617.9</td>
</tr>
<tr>
<td>2023 (Results)</td>
<td>1,755.0</td>
</tr>
<tr>
<td>2024 (Forecast)</td>
<td>1,800.0</td>
</tr>
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</table>

**Adjusted OP* Ratio**

<table>
<thead>
<tr>
<th>Fy</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 (Results)</td>
<td>137.2</td>
</tr>
<tr>
<td>2023 (Results)</td>
<td>121.2</td>
</tr>
<tr>
<td>2024 (Forecast)</td>
<td>168.0</td>
</tr>
</tbody>
</table>

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* Adjusted OP ratio
* OP=Operating profit
Business Strategy

IT Services in Japan

Business Overview and Vision

Today’s society and business environment are said to be in the era of VUCA,* and digital transformation (DX) is required to make social and corporate activities sustainable. DX is defined as the transformation of products, services, and business models in parallel with the transformation of operations, organizations, processes, and corporate culture and environment, to establish a competitive advantage in responding to rapid changes in the business environment by utilizing data and digital technologies based on the needs of customers and society. NEC strives to not only underpin the activities of its customers and greater society through the provision of IT services but also to realize digital reforms in both society and industry, by leveraging its expertise and resources to their maximum potential.

Market Conditions and Social Issues

The IT market in Japan continues to experience demand for IT due to the digitalization of society and businesses, backed by changes in the business environment such as accelerated cross-industry collaboration, active reorganization across industries, and technological advances including AI, the Internet of Things (IoT), and 5G networks. In the enterprise domain, IT investments are shifting from traditional IT services to cloud-based versions of existing systems and support for digitalization of operations. In the future, increasing the introduction of cloud-based services utilizing digital technologies is expected to be seen as a way to expand business. In addition, with the digitalization of government, and vision for a Digital Garden City Nation, the digitalization of society as a whole has become imperative. Compared to their global counterparts, however, few Japanese companies have successfully implemented DX, and there are some issues that need to be addressed in the promotion of DX. Examples of such issues include a shortage of human resources with DX expertise (in terms of quantity, quality, and re-skilling), difficulties in formulating concrete road maps, and the lack of progress in implementing DX in actual business operations. This situation has led to an increase in demand for DX adoption support that integrates upstream consulting and downstream implementation and operation.

NEC’s Strengths

- **Expertise and customer base developed over many years:** We have experience in mission-critical system operations in the public domain and an average of more than 25 years of business with major customers in the enterprise domain.
- **Execution capability to strongly promote customers’ DX from upstream to downstream:** We have the systems and resources to provide agile solutions from upstream consulting to downstream processes such as delivery, operation, and maintenance.

Business Growth Strategies

- **Expansion of value creation that is consistent from consultation to delivery:** We take an upstream consulting approach to the management challenges faced by our customers and work in tandem with them as a partner in resolving the issues concerning their management agendas. We provide consistent value not only in our overall planning process for resolving issues but also in the implementation of specific plans and proposals based on our expertise in each industry, our strong delivery capabilities, and post-implementation operation and support. NEC’s partnerships with leading companies in each industry are positioned as strategic partner programs to create the required model cases in each industry, which will be incorporated into our menu of services and widely deployed.
- **Business model reform via common platforms:** Products, services, and assets that were previously developed in an individually optimized manner for each industry and customer are now being developed as a common platform in the form of a menu of services based on NEC’s own technologies and expertise. This will not only enable the rapid delivery of value to customers but also facilitate a business model shift from the traditional piecework pricing method to a value-pricing method, which will increase the potential for repeat business, thereby improving profitability.
- **Ongoing strengthening of alliances geared toward improving competitiveness:** In response to diversifying demands for public cloud, private cloud and on-site systems, NEC not only has these various environments in-house but is also strengthening its competitiveness through global IT partnerships. Specifically, NEC is collaborating with Amazon Web Services (AWS), Microsoft, Oracle, and Red Hat to provide IT environments tailored to customer needs.
- **Contributions toward the digitalization of government:** NEC will leverage its years of experience and know-how to standardize and streamline public administration services, improve convenience for the public, provide a digital infrastructure, and expand the use of the Individual Number Card (My Number Card).
Business Strategy

the digitalization of government, a high level of security and quality is required, as well as speed, flexibility and productivity for the implementation of systems, and we will ensure an optimum balance of such factors in compliance with government guidelines. In Denmark, a country at the forefront of government digitalization, NEC is working with KMD, a company that has supported such efforts, and is actively proposing solutions based on its expertise in breaking down the digital divide and resolving digitalization issues.

Digital Government and Digital Finance

Business Overview and Vision

The use of IT in all areas of administration and finance will reduce administrative burden, increase convenience, simplify and streamline administrative tasks, and enable efficient and effective operations. Digitalization promotes collaboration and integration between various industries, but collaboration between government and finance, in particular, is expected to lead the way in this regard. NEC is developing its Digital Government Digital Finance (DGDF)

Our Three Acquisitions

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

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 proven track record in user experience and analytics, all of which it has leveraged to support digitalization of the government.

Avaloq Group AG

The growth of Swiss company Avaloq is partially driven by recurring business from the 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.

Markets and Social Issues

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. In addition, the area of digital finance is expected to experience long-term market growth due to part to the use of digital technology in the provision of sophisticated asset management advice services and the expansion of the base of users of asset transactions. Despite the prospect of such business opportunities, there are also issues to be addressed, such as Japan’s aging population, widening regional differences in administrative services due to the digital divide, increasing wealth polarization and disparity, and the need to reduce CO2 emissions to mitigate global warming. In particular, the mitigation of global warming requires managing electricity supply and demand and the shifting away from fossil fuels, while at the same time creating new social mechanisms that make full use of IT. The transition to a green society based on digital technologies is one of NEC’s key areas of focus. Given that administrative and financial systems operate for a long time, social responsibility and reliability are necessary to fulfill their roles.

Market Conditions and Social Issues

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. In addition, the area of digital finance is expected to experience long-term market growth due to part to the use of digital technology in the provision of sophisticated asset management advice services and the expansion of the base of users of asset transactions. Despite the prospect of such business opportunities, there are also issues to be addressed, such as Japan’s aging population, widening regional differences in administrative services due to the digital divide, increasing wealth polarization and disparity, and the need to reduce CO2 emissions to mitigate global warming. In particular, the mitigation of global warming requires managing electricity supply and demand and the shifting away from fossil fuels, while at the same time creating new social mechanisms that make full use of IT. The transition to a green society based on digital technologies is one of NEC’s key areas of focus. Given that administrative and financial systems operate for a long time, social responsibility and reliability are necessary to fulfill their roles.

NEC’s Strengths

Global customer base and proven track record: NEC provides tax collection and social security benefit systems to 45% of local governments in the United Kingdom; has over a 50% market share in administrative solutions for local governments in Denmark, a leading country in e-government, and boasts the No. 1 market share in Europe and No. 2 market share in the Asia-Pacific region in core banking systems for wealth management.

Superior technologies: AI, biometrics, security, advanced system architecture, and an extensive menu of government-oriented DX services.

Business Growth Strategies

Geographical expansion of business areas: UK-based SWS will expand its business to Commonwealth countries other than Australia and New Zealand, where it already operates. Denmark-based KMD is not only expanding its business within Europe, primarily in Scandinavia, but also further afield to Asia-Pacific regions and Japan, where NEC has a strong presence. Swiss company Avaloq will expand the value it provides to the Japanese market by not only proposing solutions independently but also by providing innovative solutions in the wealth management sector through a strategic partnership with BlackRock, Inc.

Business portfolio transformation: The SaaS ratio of the three European companies exceeds 70%, and we intend to further improve this

Strategies and Progress

Initiatives and Frameworks

Corporate Data
Social Infrastructure

**Revenue**
(Billions of yen)

<table>
<thead>
<tr>
<th>Organization and Business Segment / Domain</th>
<th>FY2022 (Results)</th>
<th>FY2023 (Results)</th>
<th>FY2024 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public institutions</td>
<td>209.5</td>
<td>245.2</td>
<td>1,085.0</td>
</tr>
<tr>
<td>Private institutions</td>
<td>719.8</td>
<td>817.0</td>
<td></td>
</tr>
</tbody>
</table>

**Adjusted OP* Ratio**
(Billions of yen) (%)

<table>
<thead>
<tr>
<th>Organization and Business Segment / Domain</th>
<th>FY2022 (Results)</th>
<th>FY2023 (Results)</th>
<th>FY2024 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public institutions</td>
<td>7.5%</td>
<td>6.9%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Private institutions</td>
<td>18.1%</td>
<td>25.6%</td>
<td></td>
</tr>
</tbody>
</table>

*OP = Operating profit

**Organizations and Business Segments / Domains**

- **Public institutions**
  - Central government agencies and government-related institutions
  - Space
  - Aviation

- **Private institutions**
  - Telecom carriers, Others

**Domestic market**
- Aerospace and National Security Business Unit

**International market**
- Telecom Services Business Unit
NEC Integrated Report 2023

<table>
<thead>
<tr>
<th>Strategies and Progress</th>
<th>Initiatives and Frameworks</th>
<th>Corporate Data</th>
</tr>
</thead>
</table>

### Telecom Strategy

#### Business Overview and Vision

NEC has been engaged in the telecommunications business since its founding, including the provision of fixed-wired and wireless telecommunication equipment for telecom carriers, operation support system (OSS) software for equipment management, and business support system (BSS) software for customer support. We also provide service platforms for end-users and submarine cables for international communications, underpinning the networks that are the foundation of the digital society. The provision of a high-speed, high-capacity, low-latency telecommunications environment enables a wide range of entities—from individuals to businesses and government agencies—to make extensive use of information and contributes to a society that connects people with their community without stress. By facilitating deep connections between people and their tangible and intangible surroundings, we contribute to richer and brighter lives for everyone, anywhere, at all times, through enhanced access to information, new DX services, and disaster prevention.

#### Market Conditions and Social Issues

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, leading to a continued increase in data traffic throughout society. Along with the increase in data traffic, the increase in electricity consumed by telecommunication devices has given rise to a need for countermeasures to address the resulting environmental burden. Against this backdrop, telecom carriers are required to operate in an efficient and flexible manner, and demand is increasing for solutions that can efficiently accommodate data traffic and network construction, flexible network operation, and carbon neutrality. In addition, due to the sluggish growth in telecom revenues, carriers are moving to expand revenues in non-telecom areas. Networks are the infrastructure that supports society, and the importance of secure communications is increasing from the perspective of economic security. As such, policy coordination and utilization are becoming increasingly important.

#### Open RAN Development

In operation commercially 4%
In procurement stage 9%
Possess an Open RAN lab 11%
Undergoing trials 24%
86% planning implementation with taking specific actions
Drivers
- Open RAN to accelerate innovation
- Expected flexibility in vendor selection
- Interest in potential cost reductions
Obstacles
- More complicated systems due to multi-vendor environment
- Potential inability of new systems to reduce total cost of ownership (TCO)

#### Status of Open RAN Development

- Will not introduce Open RAN 11%
- Developing Open RAN strategy 38%
- Open RAN adoption 4%
- SMO (Service Management and Orchestration)
- 5GC (5th Generation Core network)
- RAN SI (Radio Access Network System Integration)
- CU/DU (Central Unit, Distributed Unit)
- O-RU (Open Radio Unit)

#### NEC’s Strengths

- Track record and deep knowledge gained through many years of building network infrastructures: NEC has a proven track record of building and operating mission-critical infrastructures; assets and know-how cultivated over many years in businesses aimed at telecom carriers; and the world’s leading market share in submarine cables.
- Wide range of technologies and proposal capabilities: Fixed and mobile networks, advanced optical communications technologies in submarine cables, IT services such as OSS/BSS, and security systems.

#### Strategies for Business Growth

- Growth of 5G business in global markets and business model shift: Expectations for efficient and flexible network operation are growing in a time of heightened total cost of ownership (TCO) awareness, including with regard to power consumption. To meet these expectations, we will expand our demonstration and commercial projects with a focus on Europe. In terms of network operations, there is a trend toward automation, efficiency, and optimization of network resources, and we will expand our high-value-added solutions to meet the needs associated with this trend. At the same time, we will improve and stabilize profitability by increasing the rate of recurring software transactions, as opposed to our conventional model, which was based on the selling of hardware outright.

#### NEC’s 5G Portfolio

- SMO (Service Management and Orchestration)
- 5GC (5th Generation Core network)
- RAN SI (Radio Access Network System Integration)
- CU/DU (Central Unit, Distributed Unit)
- O-RU (Open Radio Unit)
- Shift to Open Systems

#### Measures to Expand and Develop Portfolio

- Establish operational support systems for mobile networks
- Streamline and automate operations
- Create open, virtualized mobile core software to enable flexible services
- Create Open RAN ecosystems assembled with NEC and partners’ products
- Ensure safe and secure mission-critical systems
- Create open, virtualized radio intelligent control software
- Support a wide range of radio units (RUs) through the combination of NEC and partner products
- Establish Open RAN radio units (O-RUs) for Massive Multiple Input Multiple Output (M-MIMO) in order to utilize features of 5G
- Utilize partners to expand portfolio

#### Trends in the Global Base Station Market

Source: NEC estimates based on various market reports

- Traditional RAN
- Open RAN

#### Directions

- **Drivers**
  - Open RAN to accelerate innovation
  - Expected flexibility in vendor selection
  - Interest in potential cost reductions

- **Obstacles**
  - More complicated systems due to multi-vendor environment
  - Potential inability of new systems to reduce total cost of ownership (TCO)

- **Status of Open RAN Development**
  - Will not introduce Open RAN 11%
  - Developing Open RAN strategy 38%

- **Revenue expansion in non-telecom domains**: Telecom carriers are facing an increasing need to expand revenues in non-telecom areas due to rising TCO and sluggish growth in telecom revenues due to price competition. NEC will co-create new services and expand businesses through DX in non-telecom domains through the synergy of client business knowledge and strategic consulting.

- **Seizing business opportunities in the area of submarine cables**: The submarine cable market is expected to grow at a compound average growth rate of +3% from 2018 to 2025, due in part to strong capital expenditures by over-the-top (OTT) service providers. The Company will seize business opportunities by differentiating itself from competitors through advanced optical communications technology and its strong presence, especially in the Asia-Pacific region.

- **Initiatives to realize future networks**: Toward the realization of our Beyond 5G vision and the Innovative Optical and Wireless Network (ION) concept, we aim to expand our business on a global scale by advancing our business alliance with Nippon Telegraph and Telephone Corporation (NTT) and gain international competitiveness through joint development and research of products and technologies that will create new value. At the same time, we will contribute to the realization of carbon neutrality in the telecom industry as a whole through power efficiency and renewable energy solutions.
Aerospace and National Security

Business Overview and Vision
The Aerospace and National Security (ANS) business provides ICT solutions, primarily to government agencies, in the ANS domains. Specifically, we provide satellites, radar equipment, secure telecommunications, large-scale mission critical systems, and ground systems for controlling satellites and processing satellite data. NEC’s space-related business has developed and manufactured approximately 80 satellites in its 70-year history and has delivered around 8,000 units of equipment to approximately 300 satellites worldwide. We contribute to solving social issues by utilizing data obtained by satellites for disaster prevention and infrastructure management. Leveraging our advanced technological capabilities cultivated over many years, we contribute to creating a safe, secure, fair and efficient society while protecting people’s prosperity.

Market Conditions and Social Issues
As global political and economic conditions continue to change dramatically, there is growing awareness of national security, and the importance of security-related domains, including communications and disaster monitoring for disaster prevention, is increasing. Under these circumstances, in the field of telecommunications, the amount of data that can be acquired in orbit is increasing due to the higher resolution of sensors on observation satellites, and there are high expectations for deep space optical communications technology as a means of improving the speed of real-time communication between outer space and Earth. In addition, understanding the circumstances surrounding earthquakes, tsunamis, flooding, landslides, forest fires, and other disasters is indispensable in the monitoring of such disasters, as well as for rapid recovery and damage limitation. Satellites orbiting the Earth at an altitude of several hundred kilometers have the advantage of being less susceptible to disasters. Satellites are required to grasp the disaster situation over a wide area, collect, analyze, and evaluate various information through data communications in space and between space and the ground, and quickly transmit this information to those who need it. In the field of aviation, the ever-increasing demand for transportation has led to overcrowding at major airports and on major air routes, reinforcing the need for efficient and safe navigation. The failure or shutdown of any of the aforementioned systems would have an immense social impact, making it essential for such systems to have the highest level of reliability.

NEC’s Strengths
- Track record in operating mission-critical systems: Track record of operating mission-critical systems for ANS over many years
- High technological capabilities cultivated over many years: Advanced communications technologies covering all areas, from the ocean floor to outer space; world-leading biometric, AI, and cybersecurity technologies
- Consistent business structure from development through to manufacturing and operation: Business structure capable of providing integrated services that range from in-house development, implementation, operation, and maintenance

Business Strategy

Strategies for Business Growth
- Realizing a safe and secure society by making extensive use of AI from outer space to the seabed: As national and economic security becomes increasingly important, NEC will make broad use of the potential of all areas between the seabed and outer space, to realize a safe and secure society. Specifically, we will build next-generation communications infrastructure in space utilizing satellite communications, satellite operations, and space situational monitoring. We will also advance air defense systems by applying technologies such as mission-critical SI and radio wave sensing, a field in which we have more than 50 years of experience, and undersea resource survey, surveillance, and disaster detection by utilizing technologies such as sound wave sensing and covert communications.
- Contribution to transformation in the aviation industry: NEC will utilize its assets such as air traffic control and radar technologies, airport airline systems, and its menu of DX services to accelerate policy proposals and measures, strengthen partnerships, and contribute to enhancing the international competitiveness of the aviation industry as a whole.
- Improvements to profitability through a reduction in the number of unprofitable projects: We will continue to strengthen project management through a special task force, regularly check and analyze the status of projects via a third party, promote learning opportunities to improve engineering capabilities, and refine processes. Furthermore, we will commercialize the R&D elements of projects that involve R&D, give advice to customers on business practices, and strengthen risk analysis at the proposal phase for world-first and industry-first projects.
- Through these measures, we will reduce the number of unprofitable projects and improve profitability by thoroughly managing risks according to the characteristics of each project.
Future Growth Businesses

NEC is working to create new businesses that can contribute to realizing its vision for the environment, society, and life set forth in the NEC 2030VISION from a medium- to long-term perspective. Based on our disruptive technologies that have the potential to break the mold of the current mainstream, we are working on commercialization through collaboration with leading-edge customers and research institutions, including those in abroad, and by using the new business development expertise and methods that NEC has developed in recent years.

Green / Carbon Neutrality Businesses

| Businesses Related to Carbon Neutrality |

With the aim of helping to build a decarbonized society, 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.

Through our business, we will promote efficient and optimal use of surplus electricity in society and contribute to the carbon neutrality of society as a whole. Over the medium to long term, we will also promote greening in growth businesses such as digital government, core DX, and global 5G, while strengthening resource aggregation and other carbon-neutral-related businesses to expand their scale.

| Social issues | Agricultural service |

Social value created

- Contributing to achieving the same level of farming as expert farmers, using AI
- Yield amount increased by 20% while reducing irrigation by 15%

Examples of initiatives: 1)

DXAS Agricultural Technology: Kagome Co., Ltd. and NEC establish a joint venture in Portugal to provide farming support for processed tomatoes using AI. By automating fertilization and irrigation using AI, crop model growth simulation has succeeded in reducing nitrogen fertilizer by 20% and increasing yields by 20% while reducing irrigation by 15%. We will proactively develop the service for provision on a global basis through verification trials.

Examples of initiatives: 2)

Applying the know-how from tomato cultivation to other crops

Applying the AI farm management know-how developed through tomato cultivation to other crops, we have already provided services in 11 countries for 14 different crops and are expanding our efforts worldwide through cooperation with various companies and research institutes. We aim to contribute to the resolution of global environmental issues by significantly reducing the amount of water used for agriculture, which accounts for approximately 70% of the water consumed worldwide, through AI farm management.

AI Farm Management (Agriculture)

Amid harsh global environmental conditions such as global warming, climate change, soil contamination, and soaring water and fertilizer prices, it is essential that safe food is delivered to consumers. To address agricultural issues such as demanding farm work and its associated heavy risks, stable food procurement and redistribution in response to climate change and extreme weather, and the creation of new business models that meet diversifying food needs, we visualize field conditions necessary for farming using soil moisture data and satellite image data, provide AI-based farming advice and harvest control, and optimize the entire value chain in food and agriculture.
Healthcare and Life Science Businesses

NEC will expand businesses centered on the medical care, lifestyle support, and life science domains using AI and other technologies that serve as its strengths. Based on the concept that we want every patient, family member, and healthcare provider to live as they would like to live, we are developing our businesses with the goal of “live as you: know yourself and make the right choices for you,” and are targeting a business value of ¥500 billion1 for healthcare and life science businesses in fiscal 2031.

AI Drug Discovery

The number of new cancer patients worldwide was approximately 18 million1 in 2018, while cancer is the leading cause of death2 in Japan, prompting the need for improvements in effective cancer treatment. NEC is applying cutting-edge AI to the field of drug discovery to develop safer and more effective advanced immunotherapies. We were the first Japanese company to be selected by the Coalition for Epidemic Preparedness Innovations (CEPI), an international fund that finances pharmaceutical companies and research institutes engaged in vaccine development, to begin development of next-generation vaccines effective against all betacoronavirus genera, including SARS-CoV-2 and its close relatives, with the aim of contributing to next-generation medicine in the drug discovery and genome fields as well as other areas.

FonesVisuas: A Health Promotion and Medical Test Service

Japan is known as a “super-aging society,” and social security costs, particularly medical costs, are increasing, driven in part by the state of medical care and welfare. In addition, the aging society is an even deeper issue in rural areas of Japan. To establish a sustainable social security system and build a society in which each of its citizens can flourish for longer, it is imperative to realize a society where people can enjoy good health and longevity. NEC provides testing services to predict future diseases and determine the body’s current condition by utilizing technology that analyzes approx. 7,000 types of proteins. In addition, we also offer lifestyle improvement services tailored to various needs such as nutritional, mental health, and dental care.

Promotion of Personalized Treatment for Cancer Patients

NEC promotes personalized treatment through a strategic global partnership with BostonGene Corporation, a company that provides genomic testing for physicians in support of personalized treatment for cancer patients. In October 2020, we collaborated on genetic analysis of ovarian and head and neck cancer patients in clinical trials, and in December 2021, we expanded our collaboration globally. BostonGene’s analytical technology allows us to present recommended treatments, possible mutations, and biomarker responses to treatment. This will promote precision medicine in clinical practice in order to provide personalized treatment to cancer patients, most notably cancer immunotherapy.
Realizing Sustainable Agriculture through DXAS Agricultural Technology

In June 2022, NEC and Kagome Co., Ltd. established a joint venture, DXAS Agricultural Technology (DXAS), in Portugal. We interviewed three employees of DXAS who are using the CropScope ICT platform to work together with tomato farmers to solve the difficult issue of how to improve cultivation efficiency and ensure a stable harvest and supply of crops while facing numerous challenges such as climate change, labour shortages, and environmental concerns. For more details on CropScope, please follow the link below. https://www.kagome.co.jp/english/smartagri/#page1

Q. Could you tell us how you came to work for DXAS and what the experience has been like?

Ana
I’m an engineer at NEC. Gardening was a hobby of mine, and I had an interest in agriculture, so I happily stepped forward when the joint project with Kagome began in 2015. Agritech is technology that is developed based on the prerequisites necessary for agriculture, so it is an area in which I can make good use of my knowledge. From a technological standpoint, agriculture is one of the most difficult business fields as it is greatly affected by factors such as unpredictable weather.

Tiago
I joined Kagome’s Agri-business Research and Development Center in 2019, despite being in the middle of my master’s program in agriculture, to participate in the ongoing CropScope project. I came from a farming background and grew up watching my grandparents and parents farm, so agriculture is in my DNA. I also have an interest in the use of technology and am very proud to be able to contribute to agriculture by combining these two interests.

Irie
I started out at NEC in Japan in domestic sales and then moved to the European market as an overseas sales representative. I then moved to Kenya for five years, where I was senior sales coordinator of NEC Africa, before returning to Japan to engage in new business development. I joined the Agritech team in 2021 and have been in Portugal since May of 2023 to promote DXAS.

Q. What are some of the thoughts driving your efforts to transform agriculture?

Ana
Agriculture is, and always has been, one of the most difficult professions. It involves working long hours, managing vast plots of land, and having to make countless decisions every day. Something unexpected always happens. The more I learn about farmers’ work, the more I can’t help but have respect for them. With CropScope, the AI learns the knowledge of experienced farmers, meaning that decision-making and response to known events can be left to AI. This allows farmers to devote their time to tackling unknown issues and improving cultivation efficiency, thereby contributing to the expansion of farmers’ businesses. Agritech has incredible potential, and if technology can help farmers in any way, I would be immensely happy.
For farmers, agriculture is their livelihood. They make investments and run the company with an eye to the future. With the future of whole families, including families of employees, at stake, it is no wonder that bringing in changes to conventional methods carries a risk. As such, we sometimes tend to be tenacious in our negotiations for proposals to increase crop yields. Our job is not to simply create and sell a product or service. We sincerely worry and think together with the farmers about their challenges, anxieties, and struggles as if they were our own. It’s a very emotional job that takes a great deal of energy. But I believe that it is through this sharing of concerns and building of relationships of trust that we have been able to work together with the farmers toward the same goal and make the progress that we have seen.

Stable food supply is a very important issue in light of external factors such as global population growth and the abnormal weather events of recent years. Since 2015, we have collaborated with Kagome in various ways to address this issue and commercialize our efforts. I have only been involved in these efforts for one and a half years, but I feel that it is an appealing and challenging business area from the standpoint of building a better future. I have learned a lot and been inspired by the use of ICT—one of NEC’s assets—in the seemingly unrelated field of agriculture.

Q. How did you overcome any difficulties in your journey so far? Also, what do you feel will be the key factors in DXAS’s business growth?

When the project started out, we were following our own ideals. After two or three years, however, the project underwent a drastic overhaul that wound up inconveniencing our customers. With every new challenge comes a change in trajectory, but making that decision to change course can be extremely difficult. We used the project’s overhaul as an opportunity to come together, broaden our horizons, and make improvements by sincerely taking on board users’ opinions. This gradually led to CropScope receiving high ratings from customers. Shortly after that, we were able to meet with farmers face-to-face for two years due to the COVID-19 pandemic. In the meantime, however, farmers started using Zoom, and we expanded our business by incorporating ideas from young people like Mr. Caetano and conducting sales promotion activities via webinars.

I also think a large factor in CropScope’s popularity is that positive reviews have spread by word of mouth among the farming community. Firsthand user experience can be very persuasive.

I believe the joint venture with Kagome was a key element in our business expansion so far. Had NEC approached this project alone, its lack of agricultural knowledge would have lengthened the business development process and gaining the trust of the farming community would have been difficult. DXAS exists because NEC and Kagome have made full use of the knowledge they have in their respective fields of ICT and agriculture, and this will also be the key to further business expansion in the future.
Q. DXAS is developing its business globally. What do you think will be important as you expand into new regions?

**Ana**
The key to business development will be how well we can build relationships of trust and work together with local farmers in each region. There will be issues that arise in other regions that we have not faced in Portugal. Developing technology that can address these issues together with local farmers will continue to be a major challenge going forward. This, however, is what makes agritech so exciting.

**Tiago**
Also, the circumstances of each region and the mentality of the farmers there will differ. For example, in Senegal, where we installed sensors last year, we had to start by searching for the necessary tools to complete the task. No matter what the circumstances, it is important that we never give up. I feel that this approach also leads to personal growth.

**Irie**
It is important to strike a balance between standardization and individual optimization. The platform CropScope is a system that is as standardized as possible to efficiently support farmers. On the other hand, methods of producing the same crop may differ greatly from region to region, giving rise to a risk in using standardized systems. I believe that incorporating services that are individually optimized for each region while striving for standardization is the key to expanding into new regions.

Q. In today’s society, food crises and environmental problems are pressing global issues. As a member of the DXAS team, which is tackling these issues head-on, do you have anything you would like to say to NEC’s stakeholders?

**Ana**
There is strong worldwide demand for the solutions that DXAS has to offer, and business expansion is inevitable. I’d like stakeholders to think of their support for DXAS as give-and-take, like watering or fertilizing plants. In return, we are committed to delivering results and ensuring that our efforts bear fruit.

**Tiago**
Optimizing invested resources is a major issue for achieving sustainable agriculture, and everyone at DXAS is open-minded and shares the ambition to wholeheartedly tackle such issues with the aim of realizing a better world. We hope that, by giving us their support, stakeholders feel that they are working together with us to resolve such social issues.

**Irie**
This is a very challenging business that aims to be successful while tackling issues that are difficult to commercialize, such as food crises and environmental problems. However, farmers have very high expectations of DXAS, and they highly commend our commitment to innovation in agriculture and to solving problems with a focus on the front line. We will do our best to contribute to Kagome and NEC from a business perspective through the growth of DXAS. We look forward to your continued support.

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Related Articles:

- Kagome and NEC establish a joint venture in Portugal to provide farming support for processed tomatoes using AI

- Kagome and NEC’s joint venture DXAS provides AI farming advice and an automatic irrigation control service for low-volume, high-frequency irrigation (in Japanese only)
  [https://jpn.nec.com/press/202210/20221020_01.html](https://jpn.nec.com/press/202210/20221020_01.html)
Innovation: R&D and Business Development

Since its founding, NEC has developed a variety of proprietary technologies in the area of ICT to support social infrastructure and mission-critical systems. We believe that a key component to realizing the NEC 2030VISION in a so-called VUCA* world is working toward R&D co-creation, expanding open innovation, and venturing into new domains to create businesses that can impact society.

NEC's Technological Capabilities

**Technological Fields**

NEC possesses many of the world’s leading technologies in the fields of AI (biometrics, image recognition, and analysis/prescription AI), telecommunications, and security. These technologies are NEC’s greatest differentiating factor. As proof of this, we boast one of the world’s highest numbers of patents held and papers accepted by leading international academic conferences. In particular, in the field of facial authentication, we have been ranked No. 1 in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST) five consecutive times, and our brand boasts the world’s No. 1 share of mind in biometric authentication. These advanced technological capabilities are key assets that will lead to NEC’s future growth. A crucial factor in transforming these long-cultivated technologies into social value is how quickly we can implement them in greater society. As an example, NEC is working to generate business by offering a menu of solutions based on its many technologies in the form of the NEC Digital Platform, which not only enables us to promptly provide value to customers but also leads to improved profitability by encouraging repeat use of this common platform.

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

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*[VUCA]: Volatile, Uncertain, Complex, and Ambiguous

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**NEC's Technological Capabilities**

<table>
<thead>
<tr>
<th>Field</th>
<th>Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI (including biometrics)</td>
<td>Machine learning: Number of papers accepted by leading international academic conferences¹: 8th in the world</td>
</tr>
<tr>
<td></td>
<td>Video and image processing: Number of papers accepted by leading international academic conferences²: No. 1 in Japan</td>
</tr>
<tr>
<td></td>
<td>Facial recognition: No. 1 in the world</td>
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<tr>
<td></td>
<td>Iris recognition: No. 1 in the world</td>
</tr>
<tr>
<td></td>
<td>NEC’s biometric solutions (out of 62 global companies): No. 1</td>
</tr>
<tr>
<td></td>
<td>Biometric authentication No. 1 share of mind</td>
</tr>
</tbody>
</table>

**Communication³**

- Optical communication: Acceptance of papers by leading international academic conferences for 45 consecutive years

**Security⁴**

- Receipt of IPSJ Yamashita SIG Research Award for Cyber Security, CSS2021, and numerous other awards for research papers

**Patents**

- Top 100 Global Innovators global survey of patent activities: Selected for 11 consecutive years

- Biometric authentication, video analytics, and analysis/prescription AI: Number of international patent applications: No. 1 in the world

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¹ NeurIPS, ICML, KDD, ECML PKDD, ICDM
² CVPR, ICCV, ECCV, ACCU, IJCAI
³ Communication: OFC/ECOC
⁵ Top 100 Global Innovators. https://clarivate.com/top-100-innovators/
⁶ Number of international patent applications: Cumulative number of applications as of November 2022 (NEC Corporation)
### 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.

### NEC’s R&D Management

A key aspect of R&D is how to translate its results into the creation of products, services, and businesses in a timely, appropriate, and efficient manner. NEC has introduced agile development, whereby it creates value by accurately identifying market issues and quickly providing products and services that meet associated needs. Given that time is a source of competitive advantage, implementing technology at the right time can be a major differentiating factor. NEC takes two approaches to technological development: needs oriented and seeds oriented. The needs-oriented approach is based on requests from business units and aims for more reliable contributions to earnings and agile commercialization of products. In some cases, we base our development on external technologies. In such cases, we respond to needs by utilizing the advanced technological testing of our researchers, rather than limiting ourselves to proprietary technologies. The seeds-oriented approach, on the other hand, aims to achieve commercialization based on technological proposals from top researchers and seeks early commercialization through a two-way approach. The research budget is divided between basic research and applied research. Basic research is left to the discretion of researchers, with challenging papers and patents used as KPIs, as has been the case to date. Applied research is conducted in a way that allows us to make necessary improvements as needed by monitoring the results of contributions based on ROI/ROIC.

### Intellectual Property Strategy

#### Intellectual Property Policy

NEC regards intellectual property (IP) as an important management resource that promotes business competitiveness and stability, as well as co-creation with business partners. To realize the NEC 2030VISION, we are building and widely utilizing an effective IP network by concentrating our IP resources on growth areas such as core DX, Digital Government Digital Finance, and global 5G, as well as on technological fields that will generate future growth businesses. We are also working to increase the market presence of our IP by strategically engaging in activities related to standardization, ecosystems, and thought leadership.

#### Specific Plan of Action

- Increase the percentage of patent applications and patents held in growth business areas and continue to strengthen the patent portfolio
- Strengthen and utilize not only patent rights and know-how but also design and trademark rights that support global brands
- Support the commercialization of businesses through external collaborations that make use of proprietary technologies
- Establish a new IP division to promote comprehensive use of IP, while strengthening execution frameworks and utilization strategies

### Intellectual Property (IP) Management Division: Strengthening NEC’s (IP) Capability

**IP Strategy Implementation Framework**

- Collaboration system with IP managers in business units, non-business units, and Group companies
- Intellectual property centers (North America, Europe, and China)

**Business units / Non-business units**

**NEC Group companies in Japan and abroad**

**Building an effective global patent portfolio and Promoting new co-creation**
Accelerating Commercialization through Various Management Systems

To resolve social issues and realize the NEC 2030VISION, it is important that we transform the technologies—our strength—into value, and link said value to the expansion of existing businesses and the creation of new ones. To this end, it is essential that we establish a scheme for market intelligence, development of technology, and to market and aim for expansion while accelerating monetization. Finally, the Operate stage is where we carry out the ongoing operation of the business. To enhance the effectiveness of the business development process, we make investment decisions by setting milestones for each stage, and third parties evaluate the maturity and business value of business plans that have undergone a certain level of market validation as leading indicators of a business. We are also working to improve effectiveness through various programs aimed at strengthening human resources for business development.

Process Management with BRL / TRL

To enable prompt and effective commercialization of its technologies, NEC has introduced a two-pronged management system centered on business readiness level (BRL), which indicates the maturity of a business, and technology readiness level (TRL), which indicates the maturity of a technology. Since the system was introduced, the time taken from research phase to practical application has been shortened by 15%, the number of technologies brought to practical application has increased by 20%, and the total number of commercialized technologies has increased approximately 1.5-fold. By closely tracking TRL and BRL and aligning research results with businesses, we have been able to shorten the time taken to commercialize technologies and improve the efficiency of research and development. We use ROIC as a KPI in process management for commercialization in existing business areas and are working to increase the speed of research and expand the scope of our businesses by increasing the number of technologies brought to practical application. In new business areas, we will introduce gate screening given the progress of commercialization, restrictions on the Generate and Ideate stages, and process management based on the degree of growth according to external evaluations to examine the viability of establishing a business.

Business Development Process

By monitoring the progress of business development and utilizing BRL, NEC divides the progress of business development through to commercialization into five stages: Generate, Ideate, Develop, Launch, and Operate. In the Generate stage, we carry out market research and lay out business ideas, visions, and strategies. In Ideate, we examine the viability of a business and formulate a business model along with an outline of a business plan. In Develop, we develop products and make preparations to launch a business, as well as formulating an ROI/financing plan. In the Launch stage, we bring the business to market and aim for expansion while accelerating monetization. Finally, the Operate stage is where we carry out the ongoing operation of the business. To enhance the effectiveness of the business development process, we make investment decisions by setting milestones for each stage, and third parties evaluate the maturity and business value of business plans that have undergone a certain level of market validation as leading indicators of a business. We are also working to improve effectiveness through various programs aimed at strengthening human resources for business development.

Process Management for Commercialization based on TRL / BRL

Note: Comparison between TRL/BRL progress evaluation in FY2020 and FY2021
New Business Development

| Aiming to Create Business Value |

Since its founding, NEC has developed new businesses in a variety of ways to spur innovation and provide value to society through the implementation of technology. The birth of new businesses stems from the resolution of social issues, to which end we are currently aiming to create value in new areas linked to the NEC 2030VISION, including healthcare, carbon neutrality, agriculture, and data-driven DX. We have set a target of ¥300 billion in value creation through new businesses in fiscal 2026 and are working on the challenge of creating business value through a variety of co-creation methods.

Management Policy for New Business Development

Development of new businesses begins not only in-house but also from gathering ideas from around the world, including partnerships and the market. We incorporate these ideas into a systemized process for creating new businesses to expand the entry and exit points for business creation through global collaboration and ecosystems, and consider a variety of outcomes, such as whether to commercialize the idea internally, establish a start-up company, or create a joint venture with an external partner. In addition, we are working to create further synergies by deploying the expertise we have gained through the creation of new businesses outside the Company in the form of consulting services.

Outcomes

Outcomes are separated into two types: new domain-type businesses and start-up collaboration-type businesses. New domain-type businesses are developed in the form of a joint venture or business alliance in a market where other companies are developing their businesses, but where NEC also possesses the technological capabilities as well as the necessary knowledge and expertise of its customers’ domain cultivated through its existing businesses. The in the case new-domain-based businesses, we aim to contribute to earnings through business expansion. With start-up collaboration-type businesses, on the other hand, NEC aims to create new businesses by providing technology and establishing start-ups in areas where other companies have an advantage, but the market is highly promising. In the case of start-up partnerships, the know-how, capital gains, and other benefits gained from such partnerships will be returned to NEC.

For more details on NEC's green, carbon-neutral, healthcare, and life science initiatives, please refer to "Future Growth Businesses" on pages 25 and 26.
Collaboration with start-up-type businesses

In start-up collaboration-type businesses, NEC and external partners co-create a start-up company to launch a business in a promising area with high future potential. Characteristics include open innovation involving external entities, external funding, and the use of external technologies, enabling rapid commercialization through collaboration not only within NEC but also externally. Major initiatives currently underway include the creation of the new businesses dotData, BIRD INITIATIVE, and NEC X. We are working to expand co-creation by providing the business development expertise gained from these initiatives to external entities as consulting services.

1. dotData, Inc.

Expansion of New Businesses through Collaboration between dotData and NEC's Data-driven DX Business

- dotData was founded and promoted by a leading NEC researcher.
- Using AI technology, the company automates data analysis processes that would otherwise take an extremely long time to complete manually, thereby shortening the time required and helping to achieve DX promotion as quickly as possible. In total, dotData has provided products to approximately 100 companies.
- The company completed Series B financing in spring 2022 ($74.6 million in total).

2. BIRD INITIATIVE, Inc.

A First-of-Its-Kind R&D Business in Japan Centered on Co-Creation

- BIRD INITIATIVE was established by six operating companies including NEC, financial companies, and academia. The company accelerates new business creation through R&D co-creation.
- The company conducts R&D, contract research, consulting, and investment related to digital technology. To address social and organizational issues that are becoming increasingly complex due to the advancement of digitalization, the company works to resolve issues and create new businesses.

NEC X

Business creation leveraging Silicon Valley resources

- NEC X was established in California to accelerate new business development based on the strengths of its laboratory’s technology, in collaboration with the Silicon Valley start-up ecosystem.
- To expedite commercialization, the company actively collaborates with external personnel and publicly discloses the technologies it possesses to solicit commercialization ideas from entrepreneurs.
- A total of 12 projects have been launched since 2021.

| Metabob | Code review and debug support services for software developers |
| eCommerceInsights.ai | Product review comment analysis service for e-commerce sellers |
| NavigateIO | Infrastructure-free, real-time location-based solution for first responders |
| Real Quali | Platform-matching service for real estate brokerage agents and buyers/sellers |
| Beagle technology | Automated pruning/bud picking solution for farmers |
| peace of mind | Platform and application offering mental health improvement and resilience programs for employees |
| Flyhound | Search and rescue support solution using drones to locate missing persons |
Developing People and Environments to Drive Innovation

NEC believes that the power of human resources is essential to creating innovation. We attract excellent human resources from all over the world, and approximately 40% of our R&D department belongs to research institutes abroad, where they are assigned purely on merit. We also focus on developing high-potential human resources who will be responsible for creating innovation, and we provide a high-return benefits system based on market value to highly skilled professionals with outstanding skills. Specifically, we aim to develop a group of professionals with a fresh set of skills and values by introducing the Selective Compensation Program for Professional Researchers to attract top young researchers.

In addition, NEC’s laboratories are responsible for strengthening the core competencies of its technologies through R&D, as well as promoting innovation that co-creates new social value and opens up the future while collaborating with its bases and laboratories around the world. Furthermore, by owning the largest supercomputer for AI research among Japanese companies, NEC is working to build environments to generate innovation.

Human Resource Acquisition and Cultivation to Boost Innovation

<table>
<thead>
<tr>
<th><strong>Introduction of the Selective Compensation Program for Professional Researchers to attract top young researchers</strong></th>
<th><strong>Internal side business system (within Global Innovation Unit)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides researchers with compensation according to their market value, with no upper limit</td>
<td>• Implemented system to accelerate integration of R&amp;D and Business Development divisions</td>
</tr>
<tr>
<td>• Launched program in fiscal 2020 in Japan and extended it to applicable new graduates during recruitment activities in the U.S.</td>
<td>• Aimed at developing human resources who are highly skilled in both technology and business</td>
</tr>
<tr>
<td>• Total number of researchers acquired: 22</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Continued enhancement of our acquisition of excellent talent from India and other countries</strong></th>
<th><strong>System for highly skilled business development professionals</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have engaged in recruitment activities at India’s prestigious Indian Institutes of Technology (IIT) since 2012</td>
<td>• High-risk, high-return system providing highly skilled business development professionals with benefits based on their market value</td>
</tr>
<tr>
<td>• Part of our continued efforts to keep acquiring top talent from around the world</td>
<td>• Established the new position of Executive Analytics Consultant Lead for data-driven DX-related business in fiscal 2022, in addition to AI drug professionals</td>
</tr>
</tbody>
</table>

[Pages 36 to 41: NEC, for Those Who Seek Challenge]
NEC for Those Who Challenge

Viewing “People” as its greatest management resource, NEC has been promoting to invest on “People” in order to maximize the capabilities of our people and organization through system and environmental transformation.

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 transforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow and receives fair recognitions. Moreover, we are working to change our environment and culture so that employees who are up to the challenge can do their best. The aforementioned transformations are based on our Human Resources (HR) Policy, “NEC, for those who challenge,” established in 2019.

Transformation of Culture and How We Work

Enhance Employee Engagement—People and Culture Transformation

We aim to be a company that pursues innovation and brings together diverse people under the NEC Way and become the company of choice for potential 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 workstyle that support diverse talent. To accelerate our diversity, we will specifically focus on actively recruiting and systematically developing diverse talent, including female and non-Japanese employees.

HR Policy

<table>
<thead>
<tr>
<th>Engagement Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2026 target: Engagement score of 50%</td>
</tr>
</tbody>
</table>

Note: Roughly within the global top 25 percentile

Current score

- 20%
- 36%
- 50%

2020  2022  2025

Four Pillars of NEC’s Mid-term Plan for Human Resource Management 2025

The Mid-term Plan for Human Resource Management 2025 sets forth four key initiatives and KPIs for accelerating diversity, which serves as a source of innovation, and advancing workstyle in order to provide a better workplace for a diverse array of individuals.

Four Key Initiatives and KPIs

<table>
<thead>
<tr>
<th>Active Participation of Diverse Talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%* Female and non-Japanese corporate officers</td>
</tr>
<tr>
<td>20%* Female managers</td>
</tr>
</tbody>
</table>

Fiscal 2026 target

* For NEC Corporation on a non-consolidated basis

<table>
<thead>
<tr>
<th>Reform of Workstyle Mindset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transforming the role of our offices from a primary workspace to a space for communication and innovation</td>
</tr>
<tr>
<td>Location free For improving productivity</td>
</tr>
<tr>
<td>Office Communication hub</td>
</tr>
<tr>
<td>Co-creation hub A place for generating innovation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training leaders and DX talent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active participation of diverse talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ratio of female or non-Japanese to directors, corporate officers, corporate SEVPs, corporate EVPs, and corporate SVPs: 20%* (15.3% as of July 1, 2023)</td>
</tr>
<tr>
<td>• Ratio of female to all managers: 20%* (8.9% as of April 1, 2023)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilization of the right person at the right place and the right time</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Job-based human resource management</td>
</tr>
<tr>
<td>• Percentage of key positions filled</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training leaders</td>
</tr>
<tr>
<td>• Training DX talent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reform of workstyle mindset</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee survey scores on work fulfillment, productivity, and physical and mental well-being</td>
</tr>
</tbody>
</table>

1 Goal for March 31, 2026 (including transfers decided on April 1, 2026) (For NEC Corporation on a non-consolidated basis)
2 Goal for fiscal 2026
3 High-potential human resources, including young people and female and non-Japanese employees, working at all levels and hired with consideration for diversity
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 innovation.

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

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 also 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 employees to make full use of their individuality and uniqueness in order to work and participate at their full potential.

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

| Diversity among Executives |
| Appoint diverse officers in terms of gender, nationality, age, and experience |
| Increase the ratio of women in all management positions |

| Giving Everyone a Voice |
| Ensure psychological safety by enabling the expression of opinions regardless of gender, age, career path, or job title |

| All-inclusive Community |
| Utilize Employee Resource Groups |

Promoting Diversity among Executives

NEC is promoting diversity in terms of gender and nationality among its executives. In 2023, we are making steady progress toward greater diversity through such measures as increasing the number of female executives to seven in total and appointing two top-level managers at overseas regional headquarters to strengthen global management.

| Evolution in Hiring Ratio (NEC HQ only) |
| Fiscal 2019 | 11% |
| Fiscal 2023 | 47% |
| New graduate hires | 53% |
| Mid-career hires | 53% |

Note: Figures for 2023 are as of July 30, 2023. Figures for 2021 and 2022 are as of June 30 of the corresponding year.

1 Number of corporate officers, corporate SEVPs, corporate EVPs, and corporate SVPs. Figures for 2021 and 2022 represent the number of corporate officers.

2 Calculated excluding executives who also serve as directors.
Talent Management: Human Resource Training

Policy for Training DX Personnel and Framework for Initiatives

Policy for People Development

Business Acumen
Understanding NEC’s business and movements in the global market and learning about the greater business environment, trends, and strategies in order to apply them to strategies and measures in one’s area of responsibility.

Foundation
Acquiring a common set of capabilities required of a professional

Expertise
Leading business growth by planning and executing measures that have never been tried before by learning and applying the latest trends and practices in one’s specialized field.

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

1. Enhance people and organizational management capabilities to win in the global market
   - Boost the skills of people managers
   - Ramp up development of the next generation of leaders

2. Pursue professional development to foster a successful business transformation
   - Make necessary changes in ways of thinking and behavior to adapt to the digital shift
   - Reskill employees

3. Enhance the mindset and skills that form the basis for stronger teams
   - Reinforce implementation of the Code of Values
   - Install the ability to leverage diversity (Facilitation, team building, diversity management)

Support Learning and Career Autonomy with Digital Methods
Provide career opportunities and opportunities for personal development.
Develop Next Generation of Leaders
We have developed a next-generation leadership development program to systematically and purposefully provide growth opportunities through challenging assignments and training to around 140 particularly promising participants from a group of approximately 1,300 promising employees. The aim of this program is to strengthen leadership development and management capabilities to ensure continued success in the global marketplace and transcend boundaries within the Group.

Top of Top
- Senior leaders
- Middle management
- Supervisors

Top Talent
- Around 140 particularly promising employees
- Approximately 1,300 promising employees

Career Ownership: Workshops to Support Employees in Shaping Their Own Careers
For a company and its employees to be on equal footing, it is essential that employees not only listen to opinions from management but also shift their mindsets to proactively think and act with regard to their own individual careers. Initially, we offered an extensive range of workshops for employees in their 50s and older, but we have now expanded the target age range, with approximately 5,000 people attending our career design workshops each year. If participants wish to discuss their careers further, career consultants are on hand to meet with them on a one-on-one basis, where they can discuss their individual career with a third party whose perspectives differ from those of their supervisors. This process enables employees to take greater ownership of their careers.

Career Design Workshop
- Exploration of self-understanding and self-direction
- Job crafting (reconceptualizing work)
- Enhancement of self-understanding and self-direction
- Clarification of career direction
- Expansion of self-potential
- Broadening of horizons relating to life and work and creating a direction for one’s medium-to-long-term career
- Realization of individual potential developed through experience
- Expansion of career potential from both life and work-related perspectives
- Reaffirmation of personal roots and life-values
- Concretization and promotion of life and career activities beyond the age of 60
Job-based Human Resource Management: The Right Person at the Right Place and the Right Time

In order to achieve the goals of the Mid-term Management Plan 2025, NEC is focusing its efforts on ensuring its diverse people 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. By focusing on such measures to invest in people, NEC aims to be a company that continues to be chosen not only by the market and its customers but also by those who wish to work for the NEC Group.

**Job-based Human Resource Management**

<table>
<thead>
<tr>
<th>Year</th>
<th>Initiative</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Performance development that maximizes personal growth and achievement</td>
<td>• Goals and expectations in line with role</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Consistency as a team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Evaluation and compensation that is fair and transparent</td>
</tr>
<tr>
<td>2020</td>
<td>Organization and position design based on business strategy</td>
<td>• Workforce planning (Position x Numbers)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Defining of human resources and the requirements for each position</td>
</tr>
<tr>
<td>2021</td>
<td>Human resource information system (HRIS) and operations that reflect NEC’s philosophy</td>
<td>• Simple and highly productive operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• HRIS that works in tandem with measures</td>
</tr>
<tr>
<td>2023 onward</td>
<td>Compensation based on market and organizational logic</td>
<td>• Compensation that corresponds with job</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Contracts between companies and individuals</td>
</tr>
</tbody>
</table>

**Expansion of Mid-career Recruitment**

In its pursuit of utilizing the right person in the right place at the right time, NEC will expand mid-career recruitment (approximately 600 hired in fiscal 2023) to promote the immediate implementation of its business strategies, including the use of external talent, as part of efforts to review the way it uses human resources. Through such initiatives, the ratio of new graduates to mid-career hires will be roughly 1:1, and efforts to implement job-based human resource management will continue to gain pace.

**NEC Growth Careers, NEC’s Internal Job Posting System**

NEC has introduced NEC Growth Careers, a career matching system in which employees’ work profile and open positions are posted on an internal platform in an aim to support employees in finding the ideal career by fully utilizing their own experience and skills. The system is in use year-round, and successful matches resulting in transfers are made every month. Previously, career opportunities (open positions) were disclosed twice a year. By implementing the system year-round, we have succeeded in accelerating growth for both individual employees and the organization.
Transformation of Workstyle Mindset: A Workplace Where Employees Can Demonstrate Their Creativity

The NEC Group launched Smart Work in 2018 and has developed a comfortable work environment through its offices, systems, and IT facilities. We will continue to step up activities to increase job satisfaction by ensuring that each employee practices the Code of Values.

Smart Work: Creating Comfortable Working Environments That Increase Job Satisfaction through Tools, Systems, and Spaces

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

Acknowledge that society is always changing

Promote further employee growth and autonomy

Achieve the Mid-term Management Plan 2025 by creating a highly engaged workplace and company where employees feel motivated and demonstrate high performance

Practice Code of Values

Utilize the NEC Group’s 120,000 people

Utilize benefits toward expanding business

What it will take

Employees

Design and develop workstyles for individuals and teams that will put the Code of Values into practice

NEC

Fully commit to encouraging employees to regularly practice the Code of Values and provide the environment and opportunities to do so

Efforts to Improve Engagement—Getting Senior Management and Frontline Workers Moving in the Same Direction

The first issue addressed in NEC’s “transformation of people and culture” initiative was communication between top-level management and employees. Based on previous management’s concern regarding the distance between management and the front lines, NEC has been working to bridge this gap through extensive communication, which it considers to be of utmost importance in the aforementioned transformation of people and culture. We have also made full use of digital technology, holding monthly dialogue sessions with the president and other people from inside and outside NEC can come together.

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, 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 experiences that make them proud to be part of the NEC Group.

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Living Harmoniously with the Earth to Secure the Future

NEC engages in 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 burden of its activities not only in terms of climate change but also with regard to water, resource recycling, chemical substances, biodiversity, and other matters. In particular, we have strengthened our efforts concerning climate change by setting an ambitious target in September 2022 to reduce CO₂ emissions from our entire supply chain to zero by 2040. We also help reduce the environmental burden of our customers and society on the planet by providing environmentally friendly products and services that utilize ICT and our own unique technologies. In addition, we have established the NEC Environmental Policy and ensure that all actions of employees and corporate officers comply with this policy and engage in activities with consideration for the environment.

NEC: A Futuristic Glimpse into the Ideal 2030

In NEC 2030VISION, we have positioned the environment as the basis of all our activities. To realize the vision for society we have set forth, we will continue to provide value as we strive to improve and resolve 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>Initiative</th>
<th>2010</th>
<th>2020</th>
<th>2021</th>
<th>2025</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Achieved</td>
<td>Achieved</td>
<td></td>
<td></td>
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<tr>
<td>NEC Environmental Management Vision 2020 (2000 onward)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>NEC Environmental Management Action Plan 2020/2015</td>
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<tr>
<td>NEC E-Action Plan 2025 (2021 to 2025)</td>
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<tr>
<td>NEC Environmental Targets 2015 (2015 to 2021)</td>
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<td></td>
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<tr>
<td>NEC Environment Targets 2020 (2020 to 2021)</td>
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<tr>
<td>NEC Environment Targets 2025 (2022 to 2025)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>NEC Environment Targets 2030 (2022 to 2030)</td>
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</tbody>
</table>
Climate Change: Reducing NEC’s CO₂ Emissions to “Effectively Zero” by 2040

**Climate Transition Plan**
NEC has formulated a climate transition plan that combines existing guidelines and initiatives to transition to a business model aimed at carbon neutrality by 2040 in line with the goals of the Paris Agreement. The process involves a PDCA cycle that includes future forecasting via scenario analysis, clarification of business risks and opportunities, formulation of a medium-to-long-term plan, and implementation and evaluation of measures. In addition, we report on the progress of these initiatives to the Board of Directors and disclose information in line with TCFD recommendations.

For more details, please refer to “Outline of Initiatives Based on TCFD Recommendations” on page 20 of the [NEC ESG Databook 2023](#).

**Long-term CO₂ Emissions Reduction Targets**
In 2017, NEC formulated its Course of Action for Climate Change Toward 2050. In September 2021, NEC became a signatory to Business Ambition for 1.5°C and declared that it will aim for net zero CO₂ emissions for Scope 1, 2, and 3 by 2050. This means that, in addition to its previous target for the Company’s business activities (Scope 1 and 2), NEC is aiming for net zero emissions for Scope 3, which includes its entire supply chain. In September 2022, NEC became a signatory to The Climate Pledge, which is a commitment to achieving net zero carbon emissions by 2040, 10 years earlier than the target set forth in the Paris Agreement.

---

**“Effectively Zero” CO₂ Emissions from Entire Supply Chain**

<table>
<thead>
<tr>
<th>Suppliers Partners</th>
<th>NEC</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 3</td>
<td>Scope 1, 2</td>
<td>Scope 3</td>
</tr>
</tbody>
</table>

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

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For more details, please refer to “Participation in Initiatives Related to Climate Change” on page 19 of the [NEC ESG Databook 2023](#).
NEC Integrated Report 2023

Living Harmoniously with the Earth to Secure the Future

### Scenario Analysis

NEC believes that a company cannot continue to exist and grow without analyzing scenarios for climate change. Among recent global risks, climate change risks are numerous and could have an extremely large impact on not only corporate business activities and earnings but also our lives. No matter what future is in store for us, based on multiple scenarios, NEC will examine steps that should be taken to realize a safe and secure society while ensuring NEC’s survival and growth. Therefore, NEC has been conducting scenario analyses for each of its businesses since fiscal 2022.

In fiscal 2023, NEC used scenarios to analyze the digital transformation (DX) of domestic public administration and the transition to a decarbonized society in 2030 (the 1.5°C and 4°C scenarios) in the context of digital government, which is a strategic area of the Mid-term Management Plan 2025. The Company then analyzed the business opportunities presented therein.

For more details, please refer to “Scenario Analysis” on page 21 of the NEC ESG Databook 2023.

#### Examples of Implications Presented by the Scenario Analysis

- Opportunities will arise in regional energy management in the 1.5°C scenario, in regional disaster prevention and infrastructure development in the 4°C scenario, and in healthcare in both scenarios.
- To meet these needs, it is highly likely that the NEC Group will be able to provide value by developing and combining its existing services.
- In both scenarios, the building of data platforms (standardization and unification) will continue, requiring a shift from traditional business models.

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### Evaluating the Scenario Analysis: Risks and Opportunities

#### Risks Description Risk Management and Countermeasures

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Risk Management and Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risks from carbon pricing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Assuming all of NEC’s Scope 1 and Scope 2 emissions (about 164,000 t-CO2) upon achievement of new targets in fiscal 2031 toward net zero CO2 emissions by 2040 are subject to carbon pricing (US$130/t-CO2), costs will increase by ¥2.8 billion (assuming ¥130/US$1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Assuming impact from higher costs in upstream and downstream supply chains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase use of renewable energy and achieve thorough gains in efficiency to achieve net zero CO2 emissions target by 2040 (ongoing efforts in supplier engagement and to improve energy-saving performance of products)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Physical risk |
| Possible disruption of the supply chain due to weather-related disasters (floods, landslides, water shortages, etc.), long-term outages of lifelines such as electricity, gas, and water |
| Risk assessment of the entire supply chain, BCP measures (installing flood gates and moving power supply equipment) with provisions for weather-related disasters, such as river flooding, and strengthening of power generation in data centers |

#### Opportunities Description Creation and expansion of opportunities

| Value provided in transition risk countermeasures (Mitigation) |
| Development of low-emission transport infrastructure |
| Support for expanding renewable energy use |
| Virtual power plants, management of power supply and demand, commercialized resource aggregation (RA) for the supply and demand adjustment market, energy management systems (eEMS), provision of data center services that use renewable energy, etc. |

| Value provided in physical risk countermeasures (Adaptation) |
| Preparation for increase in weather-related disasters |
| Preparation for increase in forest fires |
| Preparation for changes in areas suitable for agricultural production |
| Preparation for the spread of infection |
| Pre-disaster detection using AI, IoT, image analysis, flood simulation, evacuation support, etc. |
| Forest fire monitoring and quick response systems, disaster monitoring by satellite, etc. |
| Simulations that forecast effects and changes in agriculture, agriculture-oriented ICT solutions, etc. |
| Infectious disease countermeasure solutions, preparation of a logistics information management platform in the event of the emergence of a new infectious disease, remote work, telemedicine support, education clouds, etc. |

For more details, please refer to “Risks and Opportunities Presented by Scenario Analysis” on page 22 of the NEC ESG Databook 2023.
Progress and Review of NEC Eco Action Plan 2025

We have compiled the NEC Eco Action Plan 2025, a medium-term action plan for promoting Groupwide initiatives to achieve the goals set within our long-term environmental policy, and we are expanding this plan to each business unit and Group company.

We determined priority initiatives from the following three perspectives.

1. Reduce own risks and environmental footprint

2. Increase contributions through businesses

3. Build foundations to promote environmental management

<table>
<thead>
<tr>
<th>Themes</th>
<th>Indicators</th>
<th>Fiscal 2023 targets</th>
<th>Fiscal 2023 results</th>
<th>Fiscal 2024 targets</th>
<th>Fiscal 2026 targets</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Reduce total emissions (absolute value) (Scope 1, 2)</td>
<td>Reduction rate of energy-derived CO₂ emissions (absolute value) (compared with fiscal 2018)</td>
<td>–21.9%</td>
<td>–45%</td>
<td>Achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Expand use of renewable energy</td>
<td>Amount of electric power used from renewable energy (MWh)</td>
<td>74,000</td>
<td>180,072</td>
<td>Achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Reduce Category 1 emissions (Scope 3)</td>
<td>Reduction rate (compared with fiscal 2018)</td>
<td>–3%</td>
<td>+5%</td>
<td>Not achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Reduce Category 11 emissions (Scope 3)</td>
<td>Improvement rate of product energy efficiency (compared with fiscal 2014 products)</td>
<td>75%</td>
<td>61%</td>
<td>Not achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Reduce water usage</td>
<td>Reduction rate (compared with fiscal 2019)</td>
<td>–2.0%</td>
<td>–25%</td>
<td>Achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Reduce waste emissions</td>
<td>Reduction rate (compared with fiscal 2019)</td>
<td>–2.7%</td>
<td>–9.9%</td>
<td>Achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) Encourage recycling of plastic resources (newly itemized targets from fiscal 2024)</td>
<td>Reduce plastic waste output</td>
<td>Reduction target (compared with FY2020)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Disclosure</td>
</tr>
</tbody>
</table>

Management Items

To advance environmental management, NEC has defined "priority items" in addition to "management items," which are geared toward improving the level of activities that do not necessarily require targets and plans. For further details, please refer to the link below.

For more details, please refer to “Medium-Term Environmental Plan Progress: Management Items” on page 15 of the NEC ESG Databook 2023.

For details on the main KPIs of the “Environmental Targets of the NEC Eco Action Plan 2025,” please follow the link below.
**Products and Services That Help to Mitigate Climate Change**

**ESG Consulting Services Aimed at Realizing Carbon Neutrality**

Leveraging the knowledge we have gained from our own initiatives, we help customers work toward carbon neutrality by providing consulting services for defining overall ESG issues, formulating overall strategies, and implementing measures. In addition, we provide solutions that underpin the implementation of these measures, thus providing total support for resolving various customer issues.

### ESG Consulting Approach: Steps to Achieve Decarbonization

Full support for customers throughout the issue resolution process, including steps for realizing decarbonization.

**For more details, please refer to “Examples of NEC Group Environmental Solutions” on page 23 of the NEC ESG Databook 2023.**
Water Risk Management and Effective Use of Water Resources

NEC complies with environmental laws and regulations and promotes reduction efforts in its water usage and environmental impact. We are also employing water risk management practices, which include addressing the issues of water shortages, water pollution, and flooding.

Resource Circulation and Pollution Prevention

NEC is working on consistent resource recycling from production to use and recycling, and reducing environmental impacts such as the amount of waste generated during each process. In particular, hardware products that our customers have used consume a lot of resources, so we carry out initiatives to make effective use of limited resources by collecting and recycling them.

Natural Capital and Biodiversity

NEC strives to minimize the impact of business activities and employees’ lives on living organisms, and to actively encourage activities that contribute to biodiversity and the provision of ICT solutions. In recent years, a variety of initiatives related to nature and biodiversity have been launched around the world amid climate change, and such initiatives are likely to be rolled out further and gain momentum over the next few years. In fiscal 2022, NEC participated in two international initiatives that are expected to have an impact in the business world, namely, Science Based Targets (SBTs) for Nature1 and the Taskforce on Nature-related Financial Disclosures (TNFD)2, as a corporate member at the initial framework consideration stage.

On July 10, 2023, we released a report disclosing business risks and opportunities related to natural capital, including biodiversity, in reference to the TNFD Risk & Opportunity Management and Disclosure Framework (v0.4 Beta Release) issued by the TNFD. This report is the first in Japan to disclose information based on the v0.4 beta release.

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

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<tr>
<th>Risk / Opportunity</th>
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<th>Risk reduction measures / Specific opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>Tighter relevant regulations in Japan and abroad require time and resources to appropriately address. A delay in responding may affect NEC’s competitiveness and reputation.</td>
<td>Collect information before the enactment of relevant laws and regulations to facilitate an early response.</td>
</tr>
<tr>
<td>Opportunity (economic value)</td>
<td>Market expansion of circular economy-related businesses continues to progress and new markets continue to open up.</td>
<td>Demand is growing for NEC bioplastic products, and for AI tools for food loss countermeasures.</td>
</tr>
</tbody>
</table>

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

For more details, please refer to “Biodiversity” on page 30 of the NEC ESG Databook 2023.

External Evaluations Regarding the Environment

NEC was named to the CDP “A List” 2022 for its efforts to address climate change and protect water security, marking four consecutive years of inclusion.

For the third consecutive year, 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

In 2015, NEC formulated the NEC Group Human Rights Policy, declaring its intention to advance initiatives to promote 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 to 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 suppliers, business partners, and customers to understand this policy and share our commitment to respecting human rights. Furthermore, the initiatives of this policy, as well as those based on its contents, are reviewed on an ongoing basis and updated and revised as necessary.

For the NEC Group Human Rights Policy, please follow the link below.

Promoting Human Rights Due Diligence Centered on Salient Human Rights Issues

NEC has utilized the human rights risk data of the international NPO Business for Social Responsibility (BSR) to compile a list of its human rights issues, from which three salient human rights issues have been identified.

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.

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

New Technology and Human Rights (AI and Human Rights)

In accordance with the NEC Group AI and Human Rights Principles, 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

We are actively collaborating with various stakeholders in Japan and overseas in industry, government agencies, international organizations, and academia, with a view to building a framework for an AI society. We also participate in symposiums with regard to these efforts.

Digital Trust Advisory Council

The Digital Trust Advisory Council, a panel of experts established in 2020, incorporates on an ongoing basis the diverse opinions of outside experts in human rights, privacy, and ethics, as well as the legal system, to strengthen our response to new issues that arise in relation to the use of AI. At the council’s fiscal 2023 meeting, we exchanged opinions on our policies for strengthening AI governance based on trends in domestic and international laws and regulations and society’s expectations and demands, as well as how to appropriately disseminate information, and our approach to our responsibilities in dealing with stakeholders in the value chain. The points raised in these discussions were used as a guide in establishing systems and processes to strengthen risk mitigation measures.

Fiscal 2023 Members

Composed of five members including jurists, lawyers, consumer organization representatives, and NPO officials in such areas as sustainability and human rights
**Human Rights Risks in Light of the Changing Geopolitical Landscape and the Impact of Conflicts**

When controlling exports, we confirm the intended use of products or services prior to transactions, as well as confirming whether consumers are on the sanctions lists of the United Nations and relevant countries. Each country’s sanctions list includes organizations and individuals that are subject to human rights sanctions, such as those on the Office of Foreign Assets Control sanctions list. In addition, we have identified high-risk countries and regions based on the OECD’s States of Fragility 2022* report and examined human rights information relating to customers in relevant regions prior to transactions. We work to prevent and mitigate any risks that are confirmed through contracts and other means, and report said risks to the Risk Control and Compliance Committee.

* Indicators for evaluating each country’s risk status and response capabilities from the six standpoints of the economy, the environment, government, security, society, and people published by the Japanese government in 2022, as well as the development of legal frameworks for preventing human rights abuses in supply chains overseas, and the designation of “labour in supply chains” as one of NEC’s salient human rights issues, we have strengthened our human rights due diligence efforts, including in our ongoing initiatives.

*For more details, please refer to “Supply Chain Sustainability” on page 50.*

**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.

In response to the Guidelines on Respecting Human Rights in Responsible 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.

**Employee Safety and Health**

The Company identifies and addresses risks in accordance with the NEC Group Occupational Health and Safety Management System. In fiscal 2024, we began conducting self-assessment checks geared toward improving occupational health and safety (OH&S) management.

*For more details, please refer to “Promotion of Human Rights Due Diligence Focused on Salient Human Rights Issues” on page 56 of the *NEC ESG Databook 2023.*
Supply Chain Sustainability

NEC endeavors to work not only internally 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, with the intention of gaining the trust of society and helping to create sustainable social value.

Supply Chain Management Policy

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. For international subsidiaries, we promote sustainable procurement in accordance with the culture and business practices of each country by conducting quarterly operational reviews with the procurement managers of major local subsidiaries after aligning annual action policies and plans.

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 ensure responsible business conduct and identify the six Priority Risks.

Supply Chain Risk Assessment Results and Corrective Actions

I Document Checks

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, the environment, fair trading and ethics, and information security.

In the sustainable procurement check sheets, in addition to the inspection themes for human rights, occupational health and safety, the environment, fair trading, and others, we newly added important inspection themes for foreign national technical intern programs and human rights measures of suppliers at Tier 2 and further upstream suppliers. We received responses from 1,009 companies out of the 1,081 companies we queried, and evaluated the status of each supplier, ranking them on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: “score rate” and “critical points.”

Through supplier engagement, such as promoting an understanding of the conditions and providing correctional guidance, we will support suppliers that received the Z rating, with the aim of correcting identified issues during the first half of fiscal 2024.

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

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

For more details, please refer to “Supply Chain Management” on page 86 of the NEC ESG Databook 2023.
Supply Chain Sustainability

Respecting Human Rights

In September 2022, the Japanese government formulated and published the Guidelines on Respecting Human Rights in Responsible Supply Chains, and legal frameworks for preventing human rights abuses in supply chains have been updated abroad. With labour in supply chains being identified as a salient human rights issue, NEC improved its efforts at due diligence in human rights, in addition to its ongoing initiatives.

NEC is taking the following steps in accordance with OECD Due Diligence Guidance for Responsible Business Conduct.

<table>
<thead>
<tr>
<th>Step 1</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>Identify high-priority business domains while referencing results of international NPO Business for Social Responsibility (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 trainee programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development).</td>
</tr>
<tr>
<td>Step 3</td>
<td>Conduct third-party audits by an external auditing firm that specializes in human rights and occupational health and safety. We have selected five suppliers based on evaluation of scope and nature of potential impacts while mapping the aforementioned risks across suppliers. Nonconformance incidents identified in these audits (for example, the absence of a human rights policy, the lack of emergency exit signs, and the failure to use proper protective equipment such as safety glasses) will be evaluated and ranked according to the following four categories from the viewpoints of human rights and occupational health and safety under Japanese law and global standards to provide feedback to suppliers and request corrective action.</td>
</tr>
</tbody>
</table>

- **Minor**
  - 1. Response not required
  - 2. Items for improvement
- **Major**
  - 3. Items for improvement (high priority)
  - 4. Items for correction

Internal Education and Awareness Training Activities

In accordance with internal procurement regulations, NEC Corporation and its subsidiaries conduct regular training for procurement personnel, as well as timely training on individual topics to address new laws and regulations and emerging risks, in order to maintain appropriate business operations.

Strategic Supply Chain Partners Exchange Meeting

NEC holds exchange meetings with its main strategically important supply chain partners each year to promote their understanding and cooperation in the NEC Group’s sustainable procurement activities, centered mainly on human rights, labour, occupational health and safety, the environment, and information security.

Update to Grievance Mechanism

NEC has given access to its Compliance Hotline, a means of reporting incidents and seeking consultation, to suppliers since 2003. In August 2021, NEC changed the hotline to include consultations about responsible procurement, including human rights, labour, occupational health and safety, and other topics.

In fiscal 2023, a total of seven reports were issued via the Compliance Hotline about procurement issues. After verifying the relevant facts, all seven reports were dealt with appropriately.

From fiscal 2023, NEC is participating in an industry-wide initiative for a collective grievance mechanism (JaCER) and is improving the effectiveness of the system in accordance with UNGP requirements.

Stakeholder Engagement

Supplier Education and Awareness Training Activities

NEC provides training opportunities and information to help suppliers promote sustainability.

In fiscal 2023, NEC invited external lecturers to conduct a seminar for the members of senior management of suppliers on the theme of “Business and Human Rights,” as well as a lecture for our key software suppliers on the topic of “Business and Human Rights: Responses Required of ICT/Software Companies.” With regard to the environment, NEC holds briefing sessions and provides information on its countermeasures against climate change on an ongoing basis.

Corporate Data

NEC Awarded the Highest Rating for Supplier Engagement by the CDP

Through the CDP Supply Chain Program run by the CDP, an environmental NGO that NEC partnered with in 2019, NEC surveyed the climate change initiatives of 68 companies, mainly hardware suppliers, in fiscal 2023, and provided feedback on the results of the survey.

NEC has been recognized on the CDP’s Supplier Engagement Leaderboard, the highest Supplier Engagement Rating* for the third consecutive year.

* The Supplier Engagement Rating is given by the CDP based on an examination of a company’s initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain.
NEC is currently implementing corporate governance reforms, including the transition to a Company with a Nominating Committee, etc., structure. Two key individuals—the corporate officers driving the reforms, Hajime Matsukura, Corporate Secretary and Member of the Board; and Masashi Oka, Member of the Board: Chairman of the Compensation Committee, and Member of the Nominating Committee—sat down for a candid exchange of opinions on the background and objectives of the transformation and discussed key measures to be taken in the future.

A key role of outside directors is to provide an external perspective.

Matsukura
Since 2000, NEC has been navigating a very difficult period and has been working to ensure its survival by reorganizing its financial structure, transforming its portfolio, renewing the NEC Way, and reforming its internal culture. From a corporate governance standpoint, we increased the number of outside directors and reviewed our compensation system, but the reality is that we took those steps out of necessity. The full-scale transformation we are currently undertaking is an initiative to establish corporate governance as a platform for management decision-making that will propel the Company into its next stage of growth. I also believe that the transformation is unavoidable if we are to demonstrate our competitiveness on the global stage.

Oka
I have leadership experience at both Japanese and U.S. companies, and my management keyword has been “self-transformation.” I accepted the position of outside director last year as I could relate to President Morita’s strong desire to transform NEC and was convinced of his seriousness in this regard. As a member of the Board of Directors, I hope to support this transformation and help maximize NEC’s potential. Based on my experience, I believe an external perspective is vital for management. I have always taken ‘inconvenient truths’ seriously without being swayed by logic driven by institutional legacy or past successes. I have instead favored dialogue with investors and outside experts to make levelheaded decisions based on facts, deploying insights from external parties as a driving force for change. The Board of Directors in particular represents the closest external perspective available to management, and in contrast to the tendency of those tasked with
business execution to give priority to short-term periodic or divisional profit and loss, the Board is required to promote profitable and sustainable growth and enhance the company’s overall management quality from the perspective of increasing corporate value over the medium to long term. I believe that as virtual investors—so to speak—the Board of Directors must be the guardians of corporate value.

Building trust between the Company’s execution and oversight functions will enhance the effectiveness of the Board of Directors.

*I believe that raising the effectiveness of the Board of Directors will be a matter of key importance in driving the transformation of NEC’s corporate governance. When electing outside directors, we engaged in extensive discussions from the perspective of whether the candidates were in tune with NEC’s reforms and were capable of building relationships of trust with corporate officers. As a result, we have been joined by some very promising members. In addition, the director remuneration system has been changed to provide incentives so that all officers share the ultimate goal of increasing corporate value and strive to achieve the goals put forth in the mid-term management plan to that end. Mr. Oka, who was appointed outside director in June 2022, and I have been discussing these reforms together, and we will continue our efforts to further enhance the effectiveness of the Board from the perspective of becoming a company that can succeed on the global stage.

**Oka**
Raising the effectiveness of the Board of Directors is a top priority. In fiscal 2023, as chairman of the Compensation Committee, I led a review of the director remuneration system, including its structure, compensation levels, and KPIs. Our perspective was to assess if the system was (a) appropriate for a technology company with global operations, and (b) sufficiently linked to shareholder value. I believe the appropriate structure and systems are now in place, including the transition to a Company with a Nominating Committee, etc., effective June 2023. To further enhance the effectiveness of the Board of Directors, we will continuously monitor the structure and systems to ensure they are functioning as intended. We will also focus on enhancing the quality of discussions at Board meetings and ensure that management from a corporate value perspective permeates the front lines of business execution.

To connect corporate governance reforms to the enhancement of corporate value, I believe that two-way trust between the management team, which is responsible for the execution of business, and the Board of Directors, which is responsible for oversight, is of the utmost importance. Directors need to communicate matters that are difficult for those on the execution side of the Company to hear, but there must be mutual understanding and trust in order for the management team to take seriously what they hear from the board and apply it to the management of the Company. Those responsible for business execution and have been given significant delegation of authority under the new institutional design are expected to always be aware that the primary management goal is to increase corporate value. They also need to be able to explain quantitatively at any time how their respective businesses and roles are contributing to that goal. At the same time, the Board of Directors is required to have a deep understanding of the Company, represent its diverse stakeholders, and fulfill its oversight function through constructive and frank discussions with member of management charged with execution responsibilities. I believe it is important for the management team to fully leverage the Board of Directors as virtual investors.

**Matsukura**
Although healthy friction is an essential element of a successful relationship between execution and oversight functions, I believe that Mr. Oka is correct in saying that trust is an important foundation, without which meaningful discussion is impossible. I believe that both tough and cordial feedback leads to setting higher goals, creating new perspectives, and refining policies, which in turn drives management forward.

Realizing the Transformation

**Matsuura**
I believe that the change in institutional design will significantly change the positioning of the Board of Directors and the contents of its discussions. Since a significant portion of authority will be transferred to management, discussions at Board meetings will focus on more overarching themes, such as medium- to long-term strategies and how to increase corporate value. That being the case, it is inherently preferable to gather people with diverse perspectives and experiences for discussion, so I believe it is a natural progression for outside directors to become the majority.

NEC’s corporate governance transformation has only just begun. I would like to work with the outside directors to build a relationship of trust with stakeholders and transform NEC into a company that steadily executes decisions by following through on its word while growing step by step.

The Board of Directors is expected to enhance NEC’s corporate value over the medium to long term. To this end, we believe it is important for directors to constantly strive to maintain and elevate the freshness of their external perspective and ensure an environment of open and constructive discussions with management.

In addition to sustainable profit growth on the financial side, it is also very important to strengthen the non-financial aspects of our operations in order to enhance corporate value over the medium to long term. Within the framework of ESG, we will fulfill our responsibility as guardians of corporate value by catalyzing discussions at Board meetings and helping maximize corporate value, starting from the governance (G) reforms we have implemented to date and setting our sights even higher in terms of the environment (E) and society (S).
Corporate Governance

For the continuous creation of social value and the maximization of corporate value, NEC Corporation (the “Company”) is strengthening its corporate governance practices in terms of both oversight and execution through the following basic policies: 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.

Key Points of NEC’s Corporate Governance Reforms

Strengthening of Oversight and Execution Functions
In June 2023, the Company transitioned from a Company with Audit & Supervisory Board to a Company with a Nominating Committee. The Company takes the opportunity of this transition to clearly separate the oversight function from execution by management, aiming to strengthen the oversight function of the Board of Directors by having Independent Outside Directors make up its majority. By delegating substantial authority from the Board of Directors to Executive Officers with respect to business execution, the Company accelerates timely decision-making and implementation. In addition, the Company also promotes the strengthening of governance on the execution side by establishing a Company-wide risk management system and enhancing the quality of decision-making in meetings on the execution side, centering on the Executive Committee. The newly established Corporate Secretary is responsible for driving and ensuring the implementation of corporate governance reforms for the proper operation and advancement of the Board of Directors and the Executive Committee by forming a link between the Board of Directors and Executive Officers and facilitating effective communication, thereby fostering a relationship of trust.

Revisions to Remuneration System for Directors and Executive Officers
In conjunction with the corporate governance reforms triggered by the transition to a Company with a Nominating Committee, etc., the Company has revised its remuneration system for Directors and Executive Officers to make it more conducive to the sustainable growth of corporate value and the realization of shareholder value management. With a view to realizing the Mid-term Management Plan 2025, the Company has established an evaluation system whereby bonuses reflect the degree of achievement of EBITDA and engagement score, key indicators of the plan, and stock compensation reflects the Company’s Total Shareholder Return (TSR) relative to indices and competitors.

Main Initiatives for Strengthening Corporate Governance

Strengthening of Oversight and Execution Functions

- Established the chief officer position and strengthened Group-wide strategies
- Instituted the chief officer position and strengthened Group-wide strategies
- Established the Nominating and Compensation Committee
- Ratio of Outside Directors: 45.5%
- Extended the authority delegated to the Chief Officers to strengthen corporate functions and accelerate prompt decision-making
- Introduced stock compensation system
- Increased the ratio of performance-based remuneration for executive directors. Ratio of basic remuneration : bonuses : stock compensation = 5 : 3 : 2
- To ensure independence and objectivity in the Nominating and Compensation Committee, changed to a four-member structure consisting of three Outside Directors (including chairperson) and one non-executive Inside Director
- Majority of Directors are non-executive
- Corporate Officers entered with one-year mandate contracts to clarify responsibilities and authority
- Ratio of Independent Outside Directors: 41.7%
- Ratio of Independent Outside Directors: 50.0%
- Separated the former Nominating and Compensation Committee into the Nominating Committee and the Compensation Committee
- Transitioned from a Company with Audit & Supervisory Board to a Company with a Nominating Committee, etc.
- Established the Nominating, Compensation, and Audit committees to each include three Independent Outside Directors (including chairperson) and one Inside Director
- Set the achievement of EBITDA and engagement score, which are Mid-term Management Plan indicators, as the formula for calculating bonuses for corporate officers on the execution side, and TSR comparisons as the formula for calculating stock compensation
- Increased the ratio of performance-based compensation to total compensation

Revisions to Remuneration System for Directors and Executive Officers

- Ratios of performance-based stock compensation
- Ratios of basic compensation
- Ratios of bonuses
- Ratios of stock compensation
- Ratios of basic compensation to total remuneration
- Ratios of bonuses to total remuneration
- Ratios of stock compensation to total remuneration
Overview of Corporate Governance System

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction of management through deliberation of important matters related to the Company’s basic management policy. From the perspective of ensuring independence, the majority of the Board of Directors comprises independent Outside Directors, and the Nominating, Compensation, and Audit committees are each chaired by an independent Outside Director. The primary role of the Chairman of the Board, along with chairing Board meetings, is to oversee the management of the Company. The Chairman does not serve concurrently as an Executive Officer and is not involved in the day-to-day execution of the Company’s business operations.

Executive Officers are responsible for the execution of the Company’s business operations as delegated by the Board of Directors. Substantial authority is delegated to Executive Officers to accelerate business execution and business execution-related decision-making. In line with this, the Company is working to strengthen corporate governance on the execution side through such measures as reinforcing the company-wide risk management system overseen by the Chief Risk Officer (CRO), improving the quality of decision-making by reorganizing the executive meeting bodies centered on the Executive Committee, and enhancing the internal audit function led by the Chief Audit Officer (CAO).

Note: The CRO and CAO were newly established in fiscal 2024.

For information on NEC’s organizational structure and the main topics of discussion and deliberations at the Board of Directors and committee meetings, please refer to NEC’s Corporate Governance Report. https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Board of Directors (12 Directors)

- Nominating Committee (4 members) — It deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning nomination of the Company’s officers (including the succession plan for the President), as well as on the contents of proposals to be submitted to the General Meeting of Shareholders concerning the election or dismissal of Directors.

- Compensation Committee (4 members) — It deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning the remuneration of the Company’s Directors and Executive Officers, including the formulation of policies on remuneration, etc., for Directors and Executive Officers and the determination of the details of remuneration, etc., for each individual Director and Executive Officer.

- Audit Committee (4 members) — It audits the execution of duties by Executive Officers and Directors. The Audit Committee periodically reports the audit plan and audit results to the Board of Directors and makes recommendations based on the audit results to the President. “Audit Committee Hotline” has been established within the Audit Committee, which is operated independently from the Company’s officers, and which allows the reporting of misconduct, etc., related to said officers.
Strengthening of Oversight Function

Enhancing the Board of Directors System

The Company’s Nominating Committee deliberates on measures aimed at enhancing the structure and role of the Board of Directors to help ensure the sustainable growth of corporate value. In fiscal 2021, the Company formulated the career skill matrix, defining the career background and skills required of the Board and identifying key points to be strengthened. Based on these key points, the composition of the Board of Directors was reviewed in fiscal 2022 to strengthen corporate governance and deepen multifaceted discussions on Companywide strategies at Board meetings. As a result, the ratio of Independent Outside Directors, female Directors, and non-Japanese Directors was increased, leading to a more independent and diverse composition. Furthermore, in fiscal 2023, in view of the changing role to be played by the Board of Directors following the transition to a Company with a Nominating Committee, etc., it reviewed the career background and skills expected of Directors from the ground up. As a result, eight career background and skill categories were defined and Directors with expertise in the categories of “corporate governance” and “global business” were appointed, which were identified as key points to be strengthened. Independent Outside Directors comprise a majority of the Board of Directors, with the percentage of independent Outside Directors increasing to 58.3% in fiscal 2024.

The Company will regularly confirm the sufficiency level of the Board of Directors as a whole for the career background and skills particularly expected of Directors based on the career skill matrix and will select candidates by taking into consideration which career backgrounds and skills are lacking, as well as the diversity of the Directors.

### Career Skill Matrix

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate management</td>
<td>Practical knowledge on company management based on experience as chief executive officer of operating companies</td>
</tr>
<tr>
<td>Global business</td>
<td>Experience as chief executive officer or department head in multinational companies or specialized knowledge on global markets</td>
</tr>
<tr>
<td>Technology / Innovation</td>
<td>Business experience or specialized knowledge on technology related mainly to ICT and digital transformation, or experience or specialized knowledge on new business creation and market innovation</td>
</tr>
<tr>
<td>Sustainability / ESG</td>
<td>Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management</td>
</tr>
<tr>
<td>Marketing</td>
<td>Experience as head in the marketing or brand strategy department or the sales department in operating companies, or specialized knowledge on business-to-business transactions and marketing</td>
</tr>
<tr>
<td>Financial accounting / Investment</td>
<td>Experience as chief financial officer of operating companies, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.</td>
</tr>
<tr>
<td>Audit / Legal / Risk management</td>
<td>Risk management experience in accounting, legal affairs, technology, cybersecurity, etc. in operating companies, or experience as an audit committee member, audit &amp; supervisory board member, or department head of auditing division, or specialized knowledge on international and domestic legal affairs or geopolitics</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>Specialized knowledge on recent global corporate governance practices, or experience and practical knowledge of implementing governance reforms at operating companies</td>
</tr>
</tbody>
</table>

### Eight newly reviewed career background and skill categories

<table>
<thead>
<tr>
<th>Years served</th>
<th>Corporate management</th>
<th>Global business</th>
<th>Technology / innovation</th>
<th>Sustainability / ESG</th>
<th>Marketing</th>
<th>Financial accounting / Investment</th>
<th>Audit / Legal / Risk management</th>
<th>Corporate governance</th>
<th>Nominating Committee</th>
<th>Compensation Committee</th>
<th>Audit Committee</th>
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<tbody>
<tr>
<td>2021</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Independent</td>
<td>Non-executive</td>
<td>Female</td>
<td>Non-Japanese</td>
<td>Total number of Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>41.7% (5)</td>
<td>58.3% (7)</td>
<td>16.7% (2)</td>
<td>8.3% (1)</td>
<td>12</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>50.0% (5)</td>
<td>60.0% (6)</td>
<td>20.0% (2)</td>
<td>10.0% (1)</td>
<td>10</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>58.3% (7)</td>
<td>75.0% (9)</td>
<td>16.7% (2)</td>
<td>8.3% (1)</td>
<td>12</td>
<td></td>
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</tbody>
</table>

As of June 30 of each year
Status of Board Deliberations

The Board of Directors held 14 meetings in fiscal 2023. The main agenda items discussed were as follows.

- Progress report for the Mid-term Management Plan 2025 and discussion of strategies for achieving targets
- Discussions related to the Company’s corporate governance system (transition to a Company with a Nominating Committee, etc.)
- Repurchase of shares of common stock
- Initiatives to promote sustainability (materiality, the environment, human rights, inclusion and diversity, etc.)

Clarification of Key Agenda Items

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction of management. To this end, the Company has clarified the key agenda items to be deliberated at the Board of Directors meetings and will focus its discussions on the following six important topics.

| Medium- to long-term strategies / Mid-term management plan | Formulation of next mid-term management plan and the NEC 2030VISION | Management objectives (including KPIs) set forth in management strategies, etc. |
| Governance structure / Development of policies on decision-making process | Significant changes in organizational structure to achieve management strategies, etc. | Policies for strengthening Group governance / Affiliates policies |
| Capital policies / Balance sheet | Policies and approaches regarding the balance between investment in growth and shareholder returns |
| Development of policies on business portfolio | Policies and approaches for selecting which businesses to focus on and which to exit |
| Large-scale M&As / Major investments | Specific use of mergers and acquisitions (M&As) based on business portfolio policies |
| Measures to increase corporate value by practicing the NEC Way | Selection of materiality that incorporates an ESG perspective |

Enhancement of Effectiveness

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. In fiscal 2023, a third-party organization was appointed to evaluate the effectiveness of the Board of Directors. The effectiveness of the Nominating Committee and the Compensation Committee (the Nomination and Compensation Committee until June 2022) was also evaluated and verified through the same process.

Excepting special circumstances, each Director aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year. In fiscal 2023, the Company was a Company with Audit & Supervisory Board, and Audit & Supervisory Board Members (KANSAYAKU) similarly aimed to have at least 75% attendance at meetings of the Board of Directors and the Audit & Supervisory Board in a single fiscal year. In fiscal 2023, the attendance rate of Directors and Audit & Supervisory Board Members (KANSAYAKU) at meetings of the Board of Directors, the Nominating Committee, the Compensation Committee (Nomination and Compensation Committee until June 2022), and the Audit & Supervisory Board was 100%.

For the results of the effectiveness evaluation for fiscal 2023 and the attendance of each Director and Audit & Supervisory Board Member at the Board of Directors and other meetings, please refer to NEC’s Corporate Governance Report.
Governance Structure on the Execution Side

The Company has established the Executive Committee, that is the highest-level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, deliberates on important matters related to the management of NEC, such as management policies and strategies, and examines important business execution matters. The Budget Progress Committee, Financial Strategy Committee, Business Strategy Committee, Investment Committee, and Critical Contract Risk Assessment Council conduct deliberations in advance on their respective responsibilities in accordance with their roles and authorities and work in tandem with the Executive Committee in order to ensure that appropriate decisions can be made.

Additionally, the Company has established the Company-wide risk management system centered on the Risk Control and Compliance Committee, in order to accurately recognize and respond to internal and external risks related to NEC’s businesses. The Risk Control and Compliance Committee deliberates fully on such matters of importance from a perspective of risk management, such as the strategy to control significant management risk, and matters of particular importance are reported to the Executive Committee and the Board of Directors.

In addition, the risk map developed by the Risk Control and Compliance Committee is used for internal audits, and the results of such audits are shared with the Risk Control and Compliance Committee secretariat and policy planning departments to ensure mutual collaboration. Furthermore, the Risk Control and Compliance Committee shares the most up-to-date knowledge of risks with the policy planning departments so that they can provide appropriate guidance and support to business divisions, and provides direction for improving and strengthening measures as necessary.
Revisions to Remuneration for Directors and Executive Officers

In conjunction with the corporate governance reforms triggered by the transition to a Company with a Nominating Committee, etc., the Company has reviewed its remuneration system for Directors and Executive Officers based on the Basic Policy on the Remuneration of Directors and Executive Officers to make it more conducive to the sustainable growth of corporate value and the realization of shareholder value management. The remuneration plan applies to Directors, Executive Officers, and Corporate SEVPs, Corporate EVPs, and Corporate SVPs, who are corporate officers, respectively, on the execution side.

Summary of Remuneration System for Directors and Executive Officers

The ratio of basic remuneration, bonuses, and stock compensation are determined individually for each position, and the ratio is set at one-third of each for the President.

Basic remuneration

Basic remuneration is fixed remuneration with the amount paid determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title. For Executive Officers and corporate officers on the execution side, basic remuneration increases or decreases based on performance (performance indicators include non-financial indicators such as practical implementation of the NEC Way and our “materiality”—priority management themes from an ESG perspective).

Bonuses

Bonuses have two components: a component linked to the degree of achieving targets of key performance indicators in the Mid-term Management Plan of the NEC Group for each fiscal year (the Group-wide performance-based component), and a component linked to the degree of achieving targets of the responsible departments for each fiscal year (the department performance-based component). The amount of each bonus is set between 0% and 200% of the standard amount determined based on the achievement level of performance targets. Three indicators were established for the Group-wide performance-based component, including the engagement score, a non-financial indicator that is a key indicator in the Mid-term Management Plan 2025. The three indicators and related percentages are shown on the right.

Stock compensation

The number of shares to be granted will be determined in a range from 0% to 150% of the number of shares granted, in accordance with the results of a comparison of the Company’s TSR (total shareholder return) with indices such as the Tokyo Stock Price Index (TOPIX) and others in order to further clarify the linkage with sustainable growth of corporate value and increase in shareholder value. Stock compensation covers a period of three fiscal years, and the delivery of shares will be made after three years from the beginning of the three fiscal years covered by the stock compensation. TSR comparisons and percentages are shown on the right.

Basic Policy on the Remuneration of Directors and Executive Officers

1) The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.

2) The remuneration system is linked to the Mid-term Management Plan target indicators and provide incentives for Executive Officers to achieve the management targets indicated in the Mid-term Management Plan.

3) As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

<table>
<thead>
<tr>
<th>Summary of Remuneration System for Directors and Executive Officers</th>
</tr>
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<td>Stock compensation covers a period of three fiscal years, and the delivery of shares will be made after three years from the beginning of the three fiscal years covered by the stock compensation. Stock compensation system linked to TSR comparison.</td>
</tr>
</tbody>
</table>

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</tr>
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<td>3) As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed remuneration</th>
<th>Variable remuneration (performance-linked)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic remuneration</td>
<td>Short-term incentive (Bonuses)</td>
</tr>
<tr>
<td>Payment rate: between 0% and 200% of the standard amount</td>
<td>Payment rate: from 0% to 150% of the number of shares granted</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation period: 1 YEAR</td>
</tr>
<tr>
<td>Distribution ratio: 50%</td>
</tr>
<tr>
<td>EBITDA (Amount)</td>
</tr>
<tr>
<td>Profitability / Growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation period: 3 YEARS</td>
</tr>
<tr>
<td>Distribution ratio: 100%</td>
</tr>
<tr>
<td>TSR: Shareholder value</td>
</tr>
<tr>
<td>Index comparison: Peer group (Competitors) comparison</td>
</tr>
</tbody>
</table>

The Company has established certain restrictions that allow for forfeiture (malus) or return (clawback) of beneficial interests in remuneration in the event of the discovery of compliance violations or improper accounting treatment by officers, or damage to the value of the Company due to retroactive restatement of financial statements. Such restrictions are set for bonuses and stock compensation, which are performance-based remuneration. In order to promote management that creates shareholder value, Inside Directors and Executive Officers are encouraged to own shares of the Company.
Messages from Newly Appointed Outside Directors

Realizing Genuine Change

After more than 30 years as a public servant, I worked as a corporate outside director for over 10 years, during which time I had the opportunity to serve as chairman of the board of directors of a Company with a Nominating Committee, etc. When exchanging views with President Morita based on these and other experiences, I sensed the earnestness of NEC’s efforts to reform its corporate governance. Believing that my experience could help realize this goal, I accepted a position on NEC’s Board of Directors. NEC has transitioned to a Company with a Nominating Committee, etc., and is currently working to enhance corporate value under its new structure. I hope to meet the expectations by supporting NEC’s corporate governance reform efforts and helping to drive its success.

Outside Director’s Role: Pursuing the Next Move

I believe that the role of an outside director is to pursue strategies to achieve a company’s goals from an outside perspective until they are satisfied with said strategies. In a company where I previously served as an outside director, the board members responsible for business execution provided a detailed explanation of the background and causes of matters on the agenda, to which the outside directors responded that they should report not only on the causes and status of the matters in question but also on the progress of contingency plans. This strict but accurate observation has led to meaningful discussions at meetings of the Executive Committee, which are no longer limited to reports on current issues, but instead focus on how to address such issues going forward. This is precisely the oversight function that the Board of Directors must fulfill. In a rapidly changing business environment, it is essential to review progress in a timely manner and implement measures in line with the situation at hand to ensure results. I will take responsibility and give candid opinions to ensure that the transition to a Company with a Nominating Committee, etc., is not a mere formality.

Creating Winning Scenarios

In general, Japan’s leading companies have an impressive ability to pursue technologies, and I believe they have the potential to extend this ability to compete in the global marketplace. However, looking back on Japan’s history, there have been major political and economic shifts, with periods of high growth followed by periods of stagnation. NEC itself has also been through difficult times, but after reading various literature on the Company, I got the sense that in its 120-year history, there has not been a single moment when NEC was outdone in technology. It could have, on the other hand, been on the losing side when it comes to business. I rate NEC’s technologies highly, and I firmly believe that the Company’s ability to link its technologies with social value will lead to future growth. To this end, I am exploring scenarios in which NEC can win in business—my main concern. I share with President Morita the belief that winning in business means making profits, not expanding the top line. While the sales force is responsible for the top line—the source of those profits—the Company should have “profit managers” on the front lines, rather than sales managers. Consistent strategies are needed to determine how to pursue profits and which markets to target. First, there should be a coherent strategy. Next, plans for investments, facilities, human resources, and R&D should be made and incorporated into management, with investment efficiency also taken into consideration. I would like to contribute to building winning scenarios by emphasizing this approach while also engaging in extensive discussion with other experienced outside directors.

I would like to say to all of NEC’s stakeholders, including employees, that the key to the Company’s growth lies in its own history. We must achieve growth by sharing our passion and ideas for change as we look toward the future. Through various means, we will deepen communication with stakeholders and promote change together.

I will share my passion to promote change for the future.

Harufumi Mochizuki
Member of the Board
(Chairman of the Nominating Committee and Member of the Audit Committee)
Messages from Newly Appointed Outside Directors

Strengthening NEC’s Corporate Governance Structure to Ensure Prompt Decision-Making

I worked for Mitsui & Co. for many years in the finance and accounting department, after which I became CFO. I also served as a member of the audit & supervisory board of the same company, during which time I was appointed chairperson of the Japan Audit & Supervisory Board Members Association.

I assumed the position of independent outside director and chairman of the Audit Committee at the time of NEC’s transition to a Company with a Nominating Committee, etc. The aim of this transition was to separate execution and oversight functions and ensure prompt management decision-making. The Company with a Nominating Committee, etc. structure is known as a “monitoring model,” in which directors are in a position to monitor the execution of business. The major advantage of this model is that those charged with execution of duties are able to make prompt decisions with greater authority without having to first seek the approval of the Board of Directors, as was the case prior to the transition.

However, the prerequisites for the success of this model are the establishment of in-house systems for internal control and risk management, the effective function of an internal auditing body which confirms that the systems are being operated in accordance with regulations, and the proper understanding and independent observation of the ethical codes proclaimed in the NEC Way by officers and employees. The role of the Board of Directors is to monitor whether these management structures and systems are being properly implemented, and whether management systems and the Company’s philosophy, such as its Purpose and Principles, are compatible with changes in society and the business environment and, if not, to urge those with execution responsibilities to take immediate action.

Listening to and Embracing the Opinions of Stakeholders

While monitoring the execution function as a director, one of my roles as chairman of the Audit Committee is to act as a gatekeeper, so to speak, by refusing to overlook misconduct and other such issues. In order to fulfill this role, it is necessary for the Audit Committee members to proactively gather information. As such, we conduct audits in cooperation with the Internal Auditing Division and External Auditor, as well as by listening to internal feedback through channels such as the public interest whistleblowing system, and we are determined to never overlook any misdeeds or inappropriate behavior.

The Internal Auditing Division not only conducts audits independently but also at the request of the CEO or the Audit Committee, so we constantly receive information from them. Also, if there is a matter regarding the Company that cannot be reported to the execution side and shared with those charged with execution responsibilities, I would like employees to feel safe to notify the Audit Committee members via the public interest whistleblowing system.

The word “audit” is derived from the Latin word audire, which means “to hear.” We must listen and embrace the opinions of shareholders, customers, and other stakeholders. Being on the receiving end of a wide variety of views and opinions, Audit Committee members carry a lot of responsibility and have to face any issues that arise head on—something that I am prepared to do.

One of the important elements of internal control is communication. It is important to have an environment in which free and open discussion can take place. In such an environment, employees and those charged with execution responsibilities will be able to work more freely than ever before, not by simply following instructions from their superiors, but by engaging in discussion until they are satisfied with the outcome, and then taking action based on the insights gained through said discussions. I believe that by enabling employees and officers to speak out more freely, we will be able to further enhance discussions on how to make the current situation even better.

Although I have only been with NEC for a short time, my interactions with everyone at the Company have given me a strong sense of a corporate culture that encourages people to express their opinions on any topic. In addition, I believe that NEC is actively promoting diversity and humbly listens to and accepts different opinions and varied ideas—an approach that has spurred further innovation.

Meeting Expectations for Change

NEC has undergone a major transformation of its organizational and corporate governance structure. As well as being one of fewer than 100 companies in Japan to transition to a Company with a Nominating Committee, etc., NEC is taking on major challenges, such as increasing the number of independent directors to comprise a majority of the Board of Directors. I feel that stakeholders are also expecting change from NEC. We, the outside directors, have a responsibility to respond to those expectations with results. The best way to show results is through tangible evidence, namely, business performance. But it is also important that this transformation in corporate governance leads to even greater trust from stakeholders and increases the Company’s value in the capital markets. I will strive to fulfill my responsibilities as an outside director by closely monitoring whether NEC is making changes that will lead to the enhancement of corporate value. I hope that NEC’s employees will not think of the corporate governance reforms as someone else’s business. Rather, I hope that they will monitor and share their views on whether we, the outside directors, are fulfilling our responsibilities.

As a representative of stakeholders, I will listen to a wide range of opinions and build a corporate governance structure that leads to enhanced corporate value.

Joji Okada
Member of the Board
(Chairman of the Audit Committee)
I will encourage the execution side of the Board to take appropriate risks and forge ahead at full speed.

Yoshihito Yamada  
Member of the Board  
(Member of the Compensation Committee)

Delaying Decisions—The Biggest Risk

NEC’s transition to a Company with a Nominating Committee, etc., has resulted in a corporate governance system that delegates authority to officers with execution responsibility. For example, these officers can make decisions on investments such as mergers and acquisitions of up to ¥100 billion, significantly raising their level of responsibility and authority. As a result, a mechanism has been established for those charged with executive responsibilities to make prompt decisions. However, such a mechanism is meaningless if it is not accompanied by action.

Year by year, corporate management is becoming increasingly difficult due to international affairs and the economic climate, among other matters. Since we cannot predict what the future holds, we have no choice but to quickly and flexibly adapt to changes, respond to new situations that emerge, and make the right decisions at the right time. While it would not be fatal to postpone some decisions if the changes faced were not so extreme, delaying a decision in the current climate is the worst decision to make.

I was president of OMRON Corporation for 12 years, so I know that making decisions can be intimidating. But decisions must be made, no matter how difficult. In such difficult times, a company’s philosophy serves as the basis of management’s decisions. And the key is to never delay such decisions, and to bear in mind that the biggest risk is to not make a decision. For example, those responsible for execution are expected to be willing to overturn a decision made the day before if they realize that it was a mistake.

Asking Fundamental Questions to Catalyze Awareness on the Execution Side of the Board

I don’t think an executive officer is an accelerator, while a director is a brake. I would like the officers with execution responsibility to accelerate as fast as they can, and I believe that oversight creates the mechanisms to enable these officers to forge ahead at full speed. In such cases, it is the responsibility of these officers to take risks and drive businesses forward. The role of the Board of Directors is to take a bird’s-eye view and provide supervision as to whether the risks are taken in a judicious manner or if they are taken recklessly. Conversely, it is also the role of the Board of Directors to urge the president to take action if the speed of execution is insufficient for any reason.

Through my many years of experience as an executive officer, I am very familiar with the struggle, the joy, and the real thrill of being involved in a company’s business execution. As president of OMRON Corporation, I experienced the clarity and deep insight that can be gained by sincerely answering challenging and fundamental questions from outside directors.

I hope to broaden the horizons of those with execution responsibility by asking fundamental questions from my perspective as an independent outside director.

The Value That Only NEC Can Provide

In today’s VUCA era, there are many risks associated with running a business. Risks must be taken, however, to get returns. It is important that companies create value by taking the right risks in areas in which they excel and that this process is sufficiently expedited. Of course, losing is out of the question, so we must think carefully about the areas in which NEC excels, NEC’s unique strengths, and the value that only NEC can provide, in order to win the battle.

I believe that NEC’s direction of supporting social infrastructure with the power of technology and IT solutions is the right way forward. These are areas in which NEC excels, and areas in which I believe NEC simply must operate. After overcoming a period of hardship, NEC is moving forward under the new strategy and vision. I have accepted the position of outside director in the hope that I can be of some assistance in these efforts. This is my first time accepting the role of outside director. Whether or not I can sufficiently fulfill this role will be a major challenge for me. I will strive to contribute to the enhancement of NEC’s corporate value by asking fundamental questions.
## Directors (As of July 1, 2023)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Takashi Niino</strong></td>
<td>Chairman of the Board&lt;br&gt;Apr. 1977: Joined the Company&lt;br&gt;Apr. 2004: Executive General Manager, 2nd Solutions Sales Operations Unit&lt;br&gt;Apr. 2005: Senior General Manager, 3rd Solutions Operations Unit&lt;br&gt;Apr. 2006: Executive General Manager, Financial Solutions Operations Unit&lt;br&gt;Apr. 2008: Senior Vice President and Executive General Manager, Financial Solutions Operations Unit&lt;br&gt;Aug. 2008: Senior Vice President&lt;br&gt;Apr. 2010: Executive Vice President&lt;br&gt;Jun. 2011: Executive Vice President and Member of the Board, Business Development Unit&lt;br&gt;Jul. 2011: Executive Vice President, CEO (Chief Strategy Officer) and Member of the Board&lt;br&gt;Apr. 2012: Senior Executive Vice President, CEO (Chief Strategy Officer), CIO (Chief Information Officer) and Member of the Board (Representative Director)&lt;br&gt;Apr. 2016: President (Representative Director) and CEO (Chief Executive Officer)&lt;br&gt;Apr. 2021: Vice Chairman of the Board (Representative Director)&lt;br&gt;Jun. 2022: Chairman of the Board (to present)</td>
</tr>
<tr>
<td><strong>Hajime Matsukura</strong></td>
<td>Corporate Secretary (Executive Officer), Member of the Board&lt;br&gt;Apr. 1985: Joined the Company&lt;br&gt;Apr. 2005: General Manager, Marketing Planning Division&lt;br&gt;Apr. 2006: Assistant Executive General Manager, Business Development Unit&lt;br&gt;Apr. 2008: General Manager, Corporate Strategy Division&lt;br&gt;Apr. 2014: Senior Vice President and President (Representative Director) of NEC Management Partner, Ltd.&lt;br&gt;Apr. 2017: Executive Vice President and CSO (Chief Strategy Officer)&lt;br&gt;Jun. 2017: Executive Vice President, CSO and Member of the Board&lt;br&gt;Apr. 2018: Executive Director, CSO, CHRO and Member of the Board&lt;br&gt;Apr. 2019: Executive Vice President, CHRO and Member of the Board&lt;br&gt;Apr. 2022: Executive Vice President, CHRO, CLOO (Chief Legal &amp; Compliance Officer) and Member of the Board&lt;br&gt;Apr. 2023: Corporate Secretary and Member of the Board (to present)</td>
</tr>
<tr>
<td><strong>Takayuki Morita</strong></td>
<td>President and CEO (Representative Executive Officer), Member of the Board&lt;br&gt;Apr. 1983: Joined the Company&lt;br&gt;Apr. 2002: General Manager, Business Development Division&lt;br&gt;Apr. 2006: Senior Vice President and Executive General Manager, Corporate Business Development Unit&lt;br&gt;Apr. 2008: Senior Vice President&lt;br&gt;Jul. 2011: Executive Vice President&lt;br&gt;Apr. 2016: Executive Vice President and CDO (Chief Global Officer)&lt;br&gt;Jun. 2016: Executive Vice President, CDO (Chief Global Officer) and Member of the Board&lt;br&gt;Apr. 2018: Senior Executive Vice President and Member of the Board (Representative Director)&lt;br&gt;Jun. 2018: Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)&lt;br&gt;Apr. 2021: President (Representative Director) and CEO (Member of the Board) (to present)</td>
</tr>
<tr>
<td><strong>Shinobu Obata</strong></td>
<td>Member of the Board&lt;br&gt;Apr. 1985: Joined the Company&lt;br&gt;Apr. 2013: General Manager, Legal Division&lt;br&gt;Apr. 2017: Senior Vice President and CCO (Chief Compliance Officer)&lt;br&gt;May 2018: Senior Vice President, CCO (Chief Compliance Officer) and General Manager, Internal Control Division&lt;br&gt;Apr. 2019: Senior Vice President and CCOO (Chief Legal and Compliance Officer)&lt;br&gt;Apr. 2022: Advisor to the President&lt;br&gt;Jun. 2022: Audit &amp; Supervisory Board Member (KANSAIYAKU) (to present)&lt;br&gt;Jun. 2023: Member of the Board (to present)</td>
</tr>
<tr>
<td><strong>Osamu Fujikawa</strong></td>
<td>Corporate Executive Vice President and CFO (Representative Executive Officer), Member of the Board&lt;br&gt;Apr. 1988: Joined the Company&lt;br&gt;Apr. 2014: Department Manager, Corporate Business Development Division&lt;br&gt;Apr. 2017: Senior Vice President&lt;br&gt;Apr. 2021: Executive Vice President and CFO&lt;br&gt;Jun. 2022: Executive Vice President, CFO and Member of the Board (Representative Director)&lt;br&gt;Apr. 2023: Corporate Executive Vice President, CFO and Member of the Board (Representative Director) (to present)</td>
</tr>
<tr>
<td><strong>Kuniharu Nakamura</strong></td>
<td>Member of the Board&lt;br&gt;Apr. 1974: Joined SUMITOMO CORPORATION&lt;br&gt;Jun. 2009: Representative Director, Senior Managing Executive Officer and General Manager, Mineral Resources, Energy, Chemical &amp; Electronics Business Unit, SUMITOMO CORPORATION&lt;br&gt;Apr. 2012: Representative Director, Executive Vice President and General Manager, Mineral Resources, Energy, Chemical &amp; Electronics Business Unit, SUMITOMO CORPORATION&lt;br&gt;Jun. 2012: Representative Director, President and Chief Executive Officer, SUMITOMO CORPORATION&lt;br&gt;Apr. 2018: Representative Director, Chairman of the Board, SUMITOMO CORPORATION&lt;br&gt;Jun. 2018: Chairman of the Board of Directors, SUMITOMO CORPORATION (to present)&lt;br&gt;Jun. 2019: Member of the Board of the Company (to present)</td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Christina Ahmadjian</td>
<td>Member of the Board</td>
</tr>
<tr>
<td>Harufumi Mochizuki</td>
<td>Member of the Board</td>
</tr>
<tr>
<td>Masashi Oka</td>
<td>Member of the Board</td>
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<tr>
<td>Kyoko Okada</td>
<td>Member of the Board</td>
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<tr>
<td>Yoshihito Yamada</td>
<td>Member of the Board</td>
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</tbody>
</table>
Risks and Opportunities

NEC properly identifies financial risks and non-financial risks that could have an impact not only on itself but also on the environment and greater society and takes effective and efficient countermeasures against such risks. At the same time, NEC is taking steps to turn environmental and social themes into business opportunities. For example, among its areas of “materiality,” which is a set of priority management themes from an ESG perspective, NEC has identified and implemented “Growth Materiality” as a theme that helps create opportunities and improve the growth rate, and “Fundamental Materiality” as a theme that focuses on mitigating risk and improving the growth rate.

Response to Priority Risks

NEC has prepared a risk map based on the findings of risk assessments conducted for business units and corporate staff, and each year selects Priority Risks that are deemed to have a particularly major influence on corporate management based on their degree of impact and level of urgency. Priority Risks are reported to the Board of Directors and action is taken to implement countermeasures.

The Risk Control and Compliance Committee, chaired by NEC’s Chief Risk Officer (CRO), detects changes in internal and external factors and discusses and periodically reviews the severity of the impact of risks.

Materiality-related Initiatives That Contribute to the Creation of Opportunities and Increase Growth Rate

NEC has identified ESG themes that have the potential to negatively impact itself and society but which, if properly managed, could also help to accelerate growth as “Fundamental Materiality,” with reference to ISO 26000, the GRI Standards, the principles of the UN Global Compact, the Sustainable Development Goals (SDGs), the SASB Materiality Map, and other relevant standards. The preamble of Transforming our world: the 2030 Agenda for Sustainable Development (in which the SDGs are set forth), adopted at the UN General Assembly in 2015, states that “The spread of information and communications technology and global interconnectedness has great potential to accelerate human progress, to bridge the digital divide and to develop knowledge societies.” NEC believes that it can create opportunities and increase its growth rate by solving social issues through co-creation with diverse stakeholders, leveraging its strengths in R&D and implementing cutting-edge technologies such as biometrics, AI, and 5G.

In fiscal 2023, NEC selected “risks of human rights violations in the value chain (especially in regions with high geopolitical risk)” as Priority Risks. In order to promote initiatives, it revised the NEC Group Human Rights Policy, formulated in 2015, to clearly show the commitment of the NEC Group’s management to respecting human rights across the NEC Group’s entire value chain as well as the Group’s governance system.

In addition, NEC considers “human rights risks related to geopolitical situations and conflicts” a salient human rights issue and has conducted a human rights impact assessment and implemented risk mitigation measures in its operations in high-risk countries and regions, reporting the results of these to the Board of Directors.

In order to clarify the social and environmental themes that growth businesses and future growth businesses aim to create under the Mid-term Management Plan 2025, NEC has organized them into five social and environmental themes as its “Growth Materiality,” which contribute to generate growth and opportunities while increasing its growth rate for realizing its Purpose that are in line with the SDGs. In promoting these growth businesses, it is also essential to address Fundamental Materiality. To address the technological risks that may be associated with the themes of “security to maximize ICT possibilities” and “AI and human rights” as well as to promote “environmental action with a particular focus on climate change (decarbonization) and thorough “compliance” implementing sustainability initiatives must be together with our business partners.

Through these activities, NEC hopes to achieve not only sustainable growth for itself but also for more sustainable world where everyone has the chance to reach their full potential.
Risks and Opportunities from an ESG Perspective and Related Initiatives

NEC will work to manage the following risks and link them to opportunities in order to facilitate a flexible response to unexpected changes that may occur.

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Risks</th>
<th>Opportunities</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Society That Enables Well-being through the Digitalization of Government and Financial Institutions (DG/DF)</strong></td>
<td>• Widening regional differences in government services due to the aging population and the so-called &quot;digital divide,&quot; as well as increasing wealth polarization and disparity</td>
<td>• Collaboration and integration with government, finance, and various other industries</td>
<td>P21 Digital Government and Digital Finance Management</td>
</tr>
<tr>
<td>Stress-free Communication with Low Environmental Impact (Global 5G)</td>
<td>• Environmental burden due to increased energy consumption by telecomunications equipment</td>
<td>• Increased demand for solutions that enable efficient traffic accommodation, network construction, flexible network operation, and carbon neutrality</td>
<td>P23 Telecommunications Services</td>
</tr>
<tr>
<td>Transforming Society and Industry with the Power of Digital Technology (Core DX)</td>
<td>• Delays in implementation in actual business due to a lack of human resources with DX expertise and difficulty in creating road maps</td>
<td>• Continued IT demand due to digitalization of both society and enterprises</td>
<td>P20 IT Services in Japan</td>
</tr>
<tr>
<td>Living Freely in Our New Era of Healthcare and Life Science</td>
<td>• Delays in collaborations and market growth due to increased demand for healthcare that uses cutting edge technologies such as AI</td>
<td>• Increasing demand for healthcare that uses cutting edge technologies such as AI</td>
<td>P26 Healthcare and Life Science Businesses</td>
</tr>
<tr>
<td>Driving Carbon Neutrality for Our Customers and Society</td>
<td>• Increased costs due to the introduction of carbon pricing and CO2 emission levels</td>
<td>• Increasing demand for ICT solutions to realize carbon neutrality</td>
<td>P25 Green / Carbon Neutrality Businesses</td>
</tr>
<tr>
<td>Environmental Action with a Particular Focus on Climate Change (Decarbonization)</td>
<td>• System failure from natural disasters</td>
<td>• System failure from natural disasters</td>
<td>The Securities Report for Fiscal 2023 (Japanese only), P23 &quot;The NEC Group's Climate Change Strategy, Indicators, and Targets&quot;</td>
</tr>
<tr>
<td>Security to Maximize ICT Possibilities</td>
<td>• Information leaks, unauthorized access, system failure</td>
<td>• Development of security professionals</td>
<td>P30 Innovation: R&amp;D and Business Development</td>
</tr>
<tr>
<td>Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)</td>
<td>• Invasion of privacy-related risks accompanying new technologies</td>
<td>• Strengthening competitiveness</td>
<td>P49 Respect Human Rights</td>
</tr>
<tr>
<td>Diverse Human Resource Development and Cultural Transformation</td>
<td>• Harassment and vulnerability</td>
<td>• Greater organizational strength through improved employee engagement</td>
<td>P36 NEC, for Those Who Seek Challenge</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>• Inadequate accounting processes</td>
<td>• Acquisition of trust from society</td>
<td>P19 Business Strategy</td>
</tr>
<tr>
<td>Supply Chain Sustainability</td>
<td>• Environmental and human rights risks</td>
<td>• Collaboration and co-creation with suppliers</td>
<td>P76 Risk Management</td>
</tr>
<tr>
<td>Compliance</td>
<td>• Compliance breaches (illegal acts, fraudulent acts)</td>
<td>• Acquisition of trust from society</td>
<td>P56 Risks and Opportunities</td>
</tr>
</tbody>
</table>

Note: The above table is a simplified representation of the risks and opportunities from an ESG perspective and related initiatives. For detailed information, please refer to NEC Integrated Report 2023.
## Financial and Non-financial Highlights

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></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>
<td>¥2,994.0</td>
<td>¥3,014.1</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>¥463.1</td>
<td>¥549.3</td>
<td>¥586.8</td>
<td>¥603.1</td>
<td>¥571.8</td>
<td>¥740.2</td>
<td>¥699.1</td>
<td>¥752.0</td>
<td>¥702.0</td>
<td>¥745.5</td>
</tr>
<tr>
<td>Revenue ratio (%)</td>
<td>15.2%</td>
<td>18.1%</td>
<td>20.1%</td>
<td>21.4%</td>
<td>21.4%</td>
<td>26.0%</td>
<td>23.7%</td>
<td>23.5%</td>
<td>25.0%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Operating profit</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>
<td>¥153.8</td>
<td>¥132.5</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥72.5</td>
<td>¥69.9</td>
<td>¥102.5</td>
<td>¥125.5</td>
<td>¥170.4</td>
</tr>
<tr>
<td>Adjusted operating profit ratio (%)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.5%</td>
<td>2.4%</td>
<td>4.7%</td>
<td>6.0%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</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>
<td>¥149.6</td>
<td>¥141.3</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥50.4</td>
<td>¥47.0</td>
<td>¥111.2</td>
<td>¥165.4</td>
<td>¥171.0</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></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>
<td>¥274.9</td>
<td>¥147.5</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></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>
<td>(¥122.5)</td>
<td>(¥63.4)</td>
</tr>
<tr>
<td><strong>Free cash flows</strong></td>
<td>¥42.0</td>
<td>55.2</td>
<td>40.4</td>
<td>65.6</td>
<td>99.0</td>
<td>(¥12.4)</td>
<td>177.8</td>
<td>152.4</td>
<td>84.1</td>
<td>102.5</td>
</tr>
<tr>
<td>R&amp;D expenses</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>
<td>¥126.3</td>
<td>¥121.4</td>
</tr>
<tr>
<td><strong>Number of patents</strong></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>
<td>Approx. 46,000</td>
<td>Approx. 45,000</td>
</tr>
<tr>
<td>Capital expenditures (property, plant and equipment)</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>
<td>¥59.3</td>
<td>¥67.6</td>
</tr>
<tr>
<td>Depreciation (property, plant and equipment)</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>¥134.0</td>
<td>¥123.1</td>
<td>¥130.2</td>
</tr>
<tr>
<td><strong>Per share data (in yen):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Net profit attributable to owners of the parent per share</td>
<td>¥11.7</td>
<td>¥12.99</td>
<td>¥22.05</td>
<td>¥29.22</td>
<td>¥10.51</td>
<td>¥176.54</td>
<td>¥215.75</td>
<td>¥385.02</td>
<td>¥557.18</td>
<td>¥424.51</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>¥4.00</td>
<td>¥4.00</td>
<td>¥4.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
<td>¥6.00</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>34.2%</td>
<td>30.8%</td>
<td>18.1%</td>
<td>20.5%</td>
<td>16.7%</td>
<td>25.8%</td>
<td>18.2%</td>
<td>16.7%</td>
<td>19.3%</td>
<td>25.9%</td>
</tr>
<tr>
<td><strong>Total assets</strong></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>¥2,621.4</td>
<td>¥2,963.2</td>
<td>¥3,123.3</td>
<td>¥3,668.1</td>
<td>¥3,761.7</td>
</tr>
<tr>
<td><strong>Owners’ equity</strong></td>
<td>¥710.7</td>
<td>¥695.9</td>
<td>¥625.7</td>
<td>¥768.8</td>
<td>¥884.3</td>
<td>¥888.0</td>
<td>¥858.9</td>
<td>¥910.7</td>
<td>¥1,308.2</td>
<td>¥1,513.5</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>4.5%</td>
<td>4.8%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>10.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Return on equity (non-consolidated, %)</td>
<td>4.5%</td>
<td>4.8%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>10.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong></td>
<td>¥603.5</td>
<td>¥575.2</td>
<td>¥520.8</td>
<td>¥479.5</td>
<td>¥520.7</td>
<td>¥552.5</td>
<td>¥675.4</td>
<td>¥702.9</td>
<td>¥597.4</td>
<td>¥608.5</td>
</tr>
<tr>
<td><strong>Debt-equity ratio (times)</strong></td>
<td>0.85%</td>
<td>0.83%</td>
<td>0.63%</td>
<td>0.62%</td>
<td>0.55%</td>
<td>0.64%</td>
<td>0.74%</td>
<td>0.54%</td>
<td>0.39%</td>
<td>0.37%</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>102,375</td>
<td>100,914</td>
<td>98,862</td>
<td>98,726</td>
<td>107,729</td>
<td>109,390</td>
<td>110,595</td>
<td>112,638</td>
<td>114,714</td>
<td>117,418</td>
</tr>
<tr>
<td>Ratio of female to all managers (%)</td>
<td>95.6%</td>
<td>95.9%</td>
<td>96.0%</td>
<td>95.9%</td>
<td>96.0%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
</tr>
<tr>
<td>Ratio of female to all managers (non-consolidated, %)</td>
<td>95.6%</td>
<td>95.9%</td>
<td>96.0%</td>
<td>95.9%</td>
<td>96.0%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
<td>95.9%</td>
</tr>
<tr>
<td><strong>Greenhouse gas emissions (Scope 1 + Scope 2) (thousand tons)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>350</td>
<td>338</td>
<td>329</td>
<td>373</td>
<td>327</td>
<td>324</td>
<td>259</td>
</tr>
<tr>
<td><strong>Greenhouse gas emissions (Scope 3) (thousand tons)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7,410</td>
<td>7,606</td>
<td>7,585</td>
<td>6,996</td>
<td>6,158</td>
<td>6,535</td>
<td>6,894</td>
</tr>
</tbody>
</table>

1 Net profit 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 of the following fiscal year
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 follow the link below.
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: 118,527 (NEC Corporation and consolidated subsidiaries)
Total Number of Shares Issued: 272,849,863 shares
Stock Exchange Listing: Tokyo (Securities Code: 6701)
Shareholder Register Administrator: Sumitomo Mitsui Trust Bank, Limited

Classification of Shareholders (Shareholding Ratio)
(As of March 31, 2023)
- Japanese Government and Local Governments: 0.00%
- Japanese Individuals and Others: 21.36%
- Financial Institutions: 31.30%
- Securities Companies: 3.33%
- Other Corporations: 6.89%
- Foreign Investors: 37.12%
Number of Shareholders: 149,823

Organization Chart

President
Nominating Committee
Compensation Committee
Audit Committee

Board

Cross-Industry Unit
DGDF Business Unit
Public Solutions Business Unit
Enterprise Business Unit
Telecom Services Business Unit
Aerospace and National Security Business Unit
Digital Platform Business Unit
Global Innovation Unit
Corporate Staff

Major Shareholders (Top 10)
(As of March 31, 2023)
Name of Shareholders
The Master Trust Bank of Japan, Ltd. (Trust Account) 46,724 17.52
Custody Bank of Japan, Ltd. (Trust Account) 20,781 7.79
NIPPON TELEGRAPH AND TELEPHONE CORPORATION 13,023 4.88
Sumitomo Life Insurance Company 5,600 2.10
STATE STREET BANK WEST CLIENT – TREATY 505234 5,077 1.90
NEC Employee Shareholding Association 4,093 1.54
STATE STREET BANK AND TRUST COMPANY 505001 3,738 1.40
GOVERNMENT OF NORWAY 3,610 1.35
JP MORGAN CHASE BANK 385781 3,475 1.30
STATE STREET BANK AND TRUST COMPANY 505103 2,978 1.12

Note: The shareholding ratio is calculated by excluding the number of shares of treasury stock (6,209,767 shares).
Corporate Overview

Sustainability


The above link offers further details of NEC’s approach to management for sustainability based on ESG themes, NEC ESG Databook 2023, and related information.

Department in Charge:
Sustainability Strategy Planning Office, Stakeholder Relations Department

Investor Relations

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

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

Department in Charge:
Investor Relations Office, Stakeholder Relations Department

Cautionary Statement with Respect to Forward-looking Statements

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

The factors that may influence the operating results include, but are not limited to, the following:
- Adverse economic conditions in Japan or internationally;
- Foreign currency exchange and interest rate risks;
- Changes in the markets in which the NEC Group operates;
- The recent outbreak of the novel coronavirus;
- Potential inability to achieve the goals in the NEC Group’s medium-term management plan;
- Fluctuations in the NEC Group’s revenue and profitability from period to period;
- Difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations and business withdrawal;
- Potential deterioration in the NEC Group’s relationships with strategic partners or problems relating to their products or services;
- Difficulty achieving the NEC Group’s growth strategies outside Japan;
- Potential inability to keep pace with rapid technological advancements in the NEC Group’s industry and to commercialize new technologies;
- Intense competition in the markets in which the NEC Group operates;
- Risks relating to the NEC Group’s concentrated customer base;
- Difficulties with respect to new businesses;
- Potential failures in the products and services the NEC Group provides;
- Potential failure to procure components, equipment or other supplies;
- Difficulties protecting the NEC Group’s intellectual property rights;
- Potential inability to obtain certain intellectual property licenses;
- The NEC Group’s customers may encounter financial difficulties;
- Difficulties attracting, hiring and retaining skilled personnel;
- Difficulty obtaining additional financing to meet the NEC Group’s funding needs;
- Potential failure of internal controls;
- Potentially costly and time-consuming legal proceedings;
- Risks related to regulatory change and uncertainty;
- Risks related to environmental laws and regulations;
- Information security and data protection concerns and restrictions;
- Potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- Risks related to corporate governance and social responsibility requirements;
- Risks related to natural disasters, public health issues, armed hostilities and terrorism;
- Risks related to the NEC Group’s pension assets and defined benefit obligations; and
- Risks related to impairment losses with regard to goodwill.

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

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2022, 2023, and 2024 were referred to as FY2022, FY2023, and FY2024, respectively. Any other fiscal years would be 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.