

Dialogue on Materiality

October 5, 2018

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Establishment of NEC and Our Vision



Better Products, Better Services



Established in 1899

"C&C" - the integration of computers and communications -

- to talk and see between any persons, at any time, at any place on the earth, in the early days of the next century
- all technology, communications, computer and television will be, and should be, integrated
- it is important to help developing countries to be able to participate in such a world telecommunications system



then-Chairman Koji Kobayashi
(INTELCOM 1977)

1977

The background is a solid dark blue. Overlaid on this are several thin, flowing orange lines. One line starts from the top left, curves downwards and to the right, then loops back towards the center. Another line starts from the top left, curves more steeply downwards and to the right. A third line starts from the bottom left, curves upwards and to the right, passing behind the main text. These lines create a sense of movement and design.

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Transform Ourselves
as a Social Value Innovator

2013

NEC's Seven Themes for Social Value Creation and SDGs

The Seven Themes for Social Value Creation

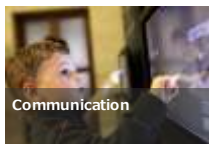
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Safer Cities
& Public Services



Lifeline
Infrastructure



Communication



Industry
Eco-System



Work Style



Quality of Life



Sustainable
Earth



NEC
7 Themes
for
Social Value Creation

SDGs



Fields that NEC Contributes to SDGs

■ Targets to which NEC wishes to contribute on its own initiative and/or positively

■ Targets to which NEC is able to contribute or wishes to contribute in the future

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
NEC Safer Cities	1.4		3.8	4.a		6.4		8.3	9.3 9.a	10.7	11.2 11.3 11.7 11.b			14.1		16.6 16.a	17.16
NEC Value Chain Innovation		2.1 2.4 2.a 2.c	3.6				7.2 7.3	8.1 8.2 8.8	9.1 9.3 9.4		11.2	12.2 12.3	13.3				17.16
Dialog and co-creation with our stakeholders			3.8	4.3 4.4 4.a				8.1 8.2 8.3 8.8	9.1 9.4		11.2 11.3 11.b	12.8	13.3			16.6 16.7 16.a	17.16 17.17
Innovation management			3.6 3.8 3.b		5.2		7.3	8.1 8.2 8.3 8.8	9.1 9.3 9.4 9.5 9.a	10.5	11.2 11.3 11.b	12.2 12.3 12.5	13.1		15.2	16.1 16.2 16.6 16.9 16.a	17.6
Sustainably and socially literate human resources				4.3 4.4 4.5 4.a	5.1 5.5			8.3 8.5 8.7	9.2	10.2 10.3			13.3			16.5	17.16
Privacy policies and measures aligned with societal expectations					5.2			8.7	9.5							16.1 16.9 16.10	17.16
Security to maximize ICT possibilities									9.5		11.1 11.7					16.1 16.3	17.16
Environmental action with a particular focus on climate change	1.5	2.4	3.d			6.4	7.2 7.3 7.a 7.b		9.4		11.5 11.b		13.1 13.3	14.2 14.5	15.1 15.4 15.5		17.16
Governance and compliance					5.1 5.2 5.5			8.5 8.7 8.8		10.2 10.3		12.7				16.1 16.2 16.5 16.6	17.16

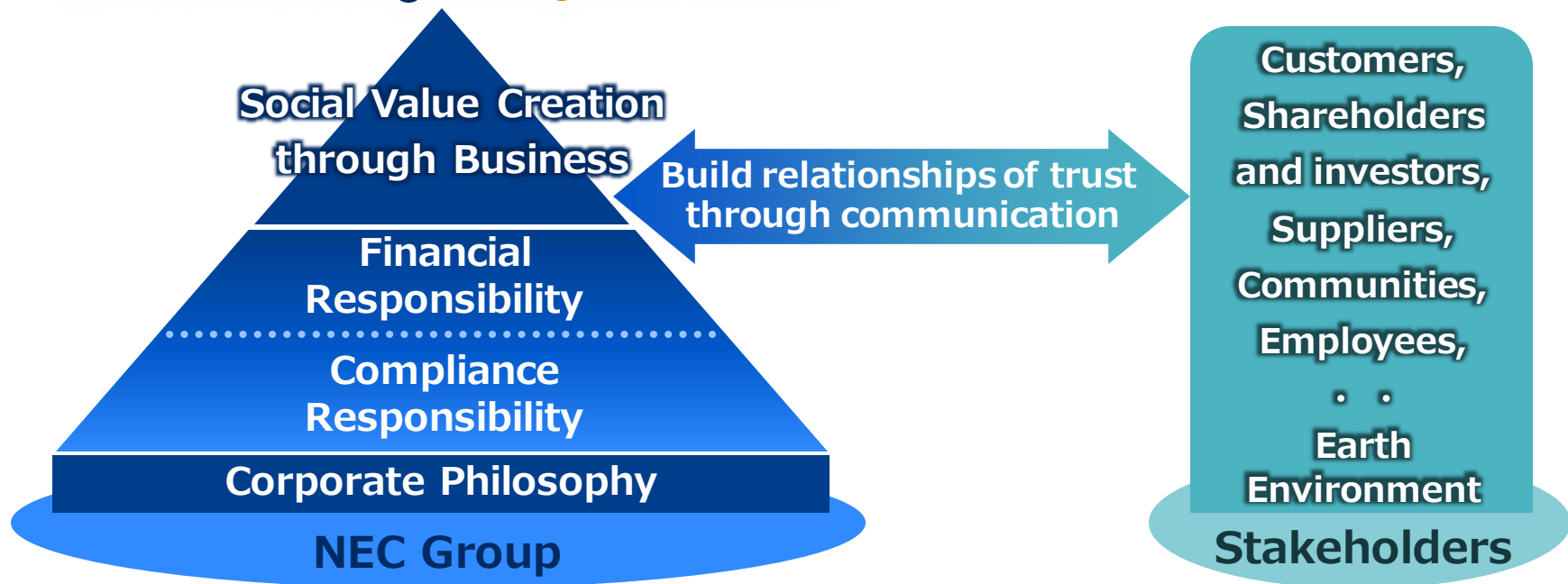
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NEC's Materiality

NEC's Sustainable Management

Sustainable development of society and NEC Group

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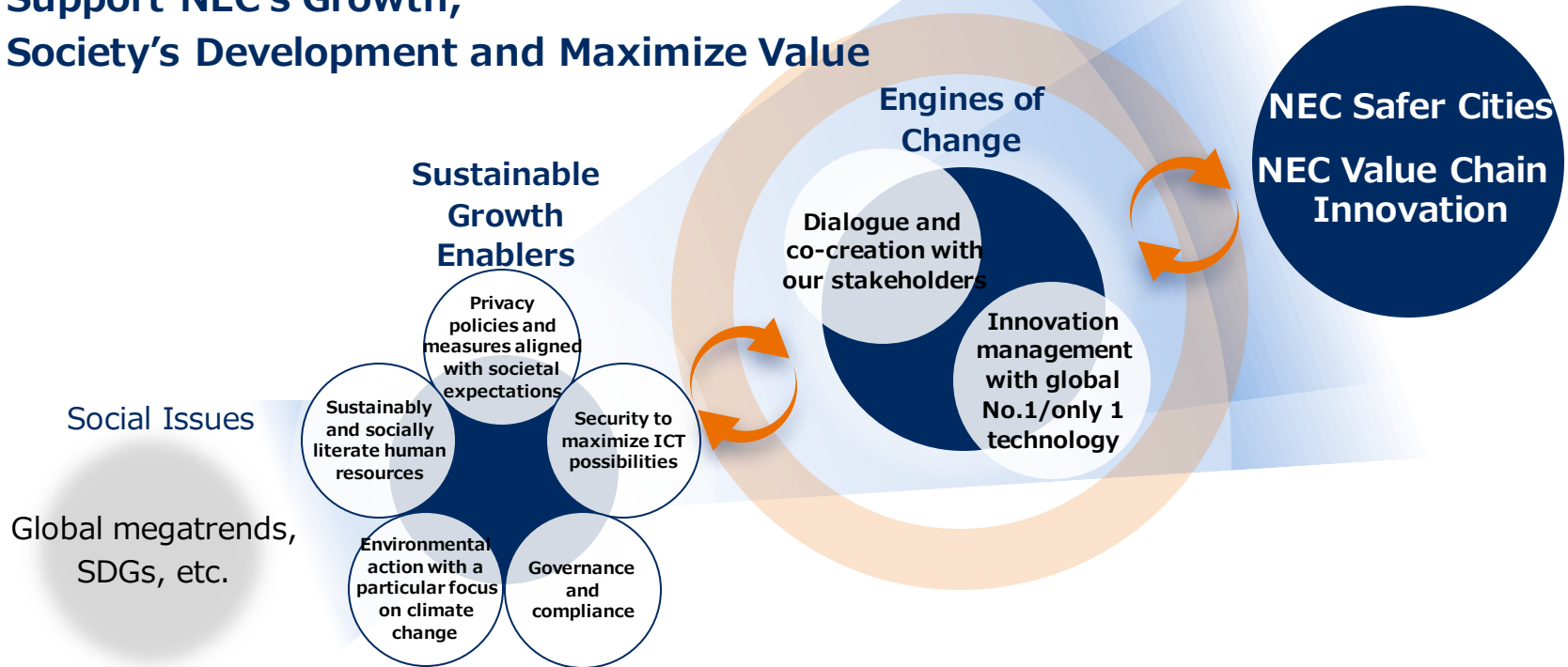


Approach to the Creation of Value

Priority Management Themes
from an ESG Perspective
Support NEC's Growth,
Society's Development and Maximize Value

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2020 Growth Focus to
Create Social Value



Materiality Identification Process

1

Tentatively define materiality and carry out dialogues with experts

NEC tentatively identified themes making reference to ISO26000, the GRI Standard, the SDGs, and others, then carried out dialogues with experts.

2

Incorporate ESG perspectives into the Mid-term Management Plan 2020

NEC announced that it would establish priority management themes and KPIs from the ESG perspectives in the first half of fiscal 2019.

3

Set up non-financial indicators

NEC examined indicators for quantifying contributions to society as much as possible.

4

Hold dialogues with experts on our materiality and indicators

Dialogues were held on human resource development, privacy and climate change, as well as overall materiality.

5

Report materiality and indicators to the Board of Directors and define materiality

The Chief Strategy Officer (CSO) in charge of corporate strategy reported to the Board of Directors.

Confirm progress through the PDCA cycle of the Mid-term Management Plan

NEC Safer Cities

Digital
Government



Public
Safety



Smart
Transportation



City
Management



Digital
Healthcare



Creating Cities
that are Safe,
Secure, Efficient,
and Equal



NEC the WISE



Bio-IDiom



Security



Network Service

Established New Division for Accelerating “Privacy Policies and Measures Aligned with Societal Expectations”

Digital Trust Business Strategy Division - October 1st, 2018

●Background

- ✓ Consideration for privacy, compatibility with usage principles and legal systems in view of ethics and social acceptability are becoming increasingly important through the creation of new services and innovations that utilize personal data
- ✓ As for guidelines related to the coexistence of humans and AI, discussions and studies are now in progress on an international level

●Mission

- ✓ Create and promote a strategy based on **Human Rights by Design***, considering the impact of the adoption of AI on society and the utilization of biometric information on human rights, such as privacy

***a concept that helps to expand the idea of "Privacy by Design" to all human rights, and to incorporate the notion of respect for human rights, such as fairness and privacy, into each process of the value chain**

●Organization

- ✓ Consists of expert personnel with knowledge on social acceptability, such as legal systems and ethics, as well as technologies

2

Sustainably and Socially Literate Human Resources

Background & Our Vision

- For enabling Social Value Creation at NEC, we need to continue developing personnel who are **capable of sensing or reading the needs of customers and society and discovering potential issues**
- developing the kind of human resources who can **take on a diverse range of values** and continuously **create social value** based on the "People Philosophy"

Non-financial Indicators and Targets

use the following indicators to confirm whether we succeed in developing human resources who possess a higher level of social sensitivity and in outputting the social value created by our personnel, and whether we succeed in creating an organization that has a sense of speed embedded in its culture

- Indicator: rate of employees who have a strong sense that NEC is changing to create social value by accepting a diverse range of values
- Target for fiscal 2019: To review the questions in the opinion survey among NEC group employees and set a specific target number for fiscal 2021.

➡ **Set the following question for NEC Group employees and trace its result regularly by FY2021, “Do you have a strong sense that NEC is changing to create social value by accepting a diverse range of values?”**

NEC School for Social Value Creation to Develop NEC Leaders who can Continue to Create Social Value

1. Collaboration Study

- ✓To learn from external lecturers on how our world is changing and what kind of company and leaders we should be
- ✓To learn the realities of being leaders from our NEC executives

2. Field Study: Learning Journey

- ✓Deep dive into social issues, with practical experience to enable them to think about how leaders should be, to realize and provide value

3. Reflection Study

- ✓Executive coaching to reflect on his/her leadership challenges

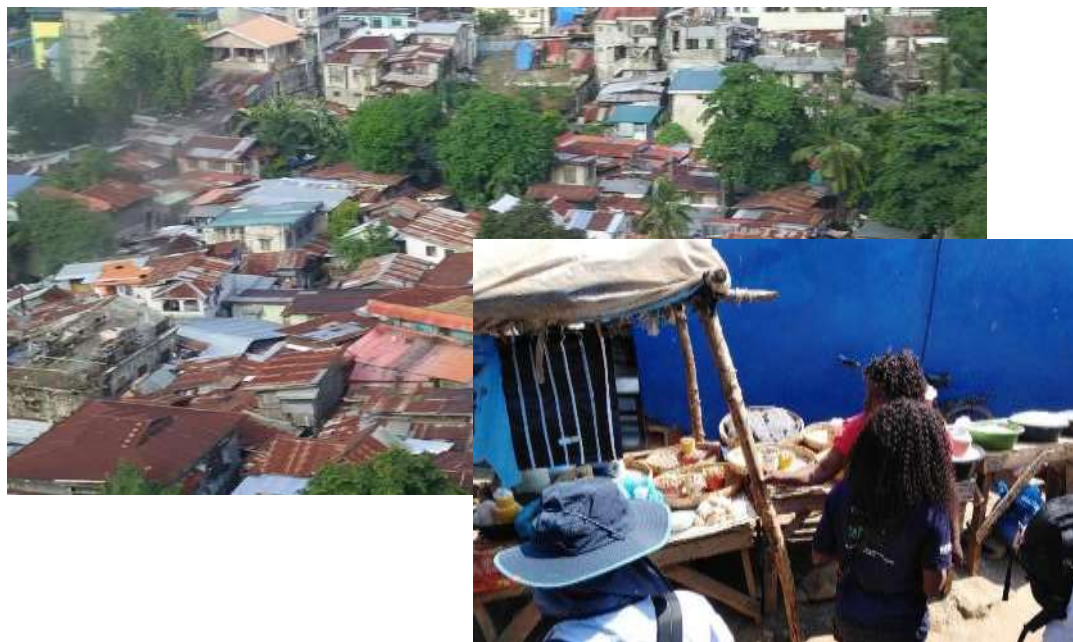
4. NEC Transformation Project

- ✓To integrate all the lessons learnt from the previous sessions and think about future NEC
- ✓To make an inaugural speech as a CEO/Global Business Leader/BU Head

Field Study: Learning Journey

To learn about the realities of urbanization
in a developing country and BOP market
in Zambia and Philippines

(BOP : Bottom of Pyramid)



To learn about the realities of
a super aging society and the
challenges to revitalize a
depopulating society in Japan



Restructuring of Execution Capabilities – Maximize Employees' Capabilities

4. Restructuring of Execution Capabilities

Organization with the capacity to carry out actions to completion

Restructuring to enable employees to maximize their capabilities

Introduce schemes to enable carrying out actions to completion, **and enhance "execution capability"**

Define the management's responsibilities and authorities more clearly

Introduce mechanism to strengthen management's commitment to results

Encourage innovative actions and challenges

Introduce an evaluation and compensation system for rewarding those who take action

Accelerate diversification of the NEC Group

Actively hire and appoint human resources with diverse talents into executive and other positions



Launched NEC Group Culture Transformation Division
leading by externally hired talent effective April 16th, 2018

Project RISE

In our 119th Year,
Transforming NEC

FY2019 Focus Points

- Set One-NEC “Code of Values” to transform behavior
- Redesign the Performance Management System enabling growth
- Launch company-wide campaign to reduce non-value-added work by 50%



*"Project RISE" is the name of NEC group's internal initiative to drive culture transformation.

Code of Values

Look Outward. See the Future.

Be curious, take initiative, make a difference. Envision world-changing possibilities for ourselves and our customers.

Think Simply. Display Clear Strategy.

Identify and clearly communicate critical goals and success factors. Leverage NEC's strengths.

Be Passionate. Follow through to the End.

Take ownership of your work. Drive relentlessly towards the end goal, resolving challenges as they arise with passion and determination.

Move Fast. Never Miss an Opportunity.

Be comfortable making decisions and taking actions – Even when there is ambiguity. Be agile. Keep moving forward. Embrace the risk, even if it means failure.

Encourage Openness. Stimulate the Growth of All.

Cross boundaries and hierarchies; inspire and be inspired Challenge yourself and others to learn more, do more and become more.

**Behavior
Assessment
Points**

“Smart Work” to enable Execution

Increase value-added work while
reducing or eliminating
non-value-added tasks

Way of Working

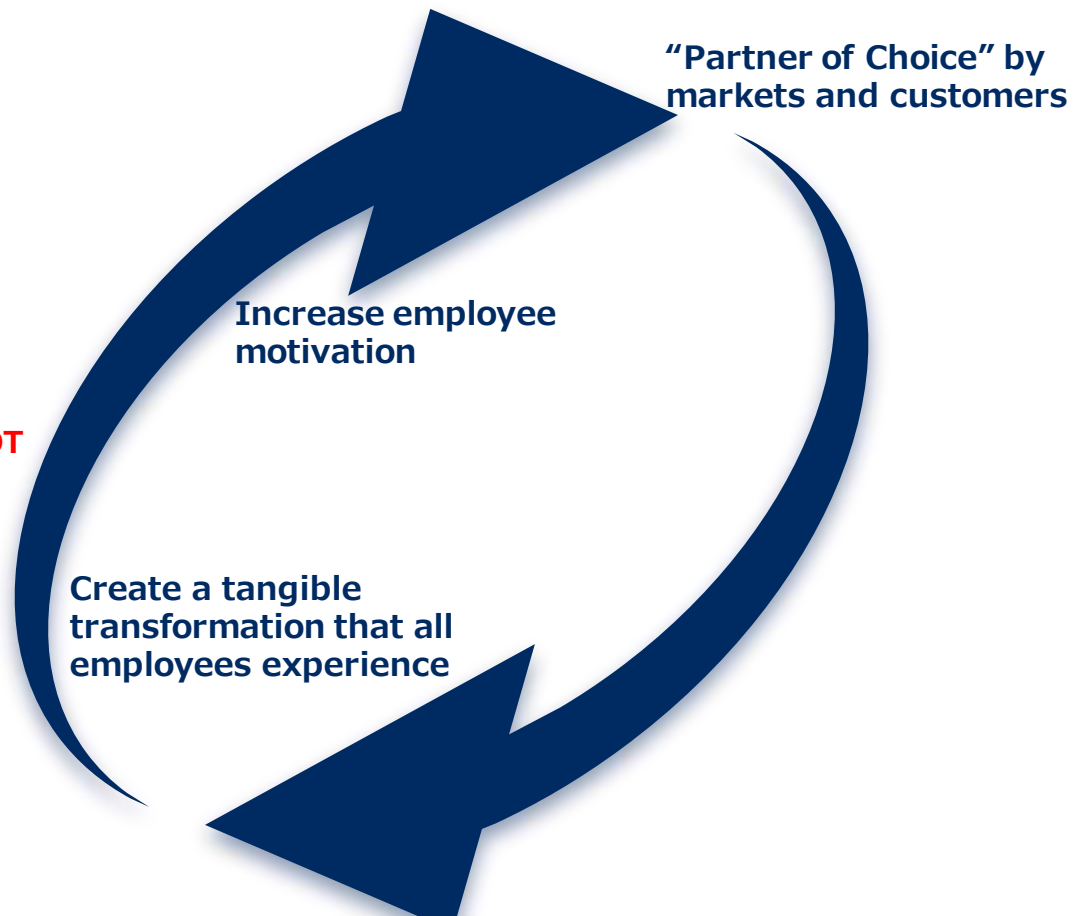
Review and improve
internal processes
that greatly hinder
speed.



Focus on
external NOT
internal

Reduce hours spent
on non-value added
work by

50%



"Smart Work" will contribute to both NEC's Growth and our Employee's Development & Well Being



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NEC

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the “forward-looking statements”). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and 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:

- Effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate
- Trends and factors beyond the NEC Group’s control and fluctuations in financial conditions and profits of the NEC Group that are caused by external factors
- Risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences
- Developments in the NEC Group’s alliances with strategic partners
- Effects of expanding the NEC Group’s global business
- Risk that the NEC Group may fail to keep pace with rapid technological developments and changes in customer preferences
- Risk that the NEC Group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations
- Defects in products and services
- Shortcomings in material procurement and increases in delivery cost
- Acquisition and protection of intellectual property rights necessary for the operation of business
- Risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued
- Risk that the NEC Group may be exposed to unfavorable pricing environment due to intensified competition
- Risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC Group
- Risk that the NEC Group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC Group’s customers are unable to make payments on time, due to the customers’ financial difficulties or otherwise
- Risk that the NEC Group may experience a substantial loss of, or an inability to attract, talented personnel
- Risk that the NEC Group’s ability to access the commercial paper market or other debt markets are adversely affected due to a down grade in its credit rating
- Risk that the NEC Group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and regulations, tax practice, information management, and human rights and working environment
- Consequences of natural and fire disasters
- Changes in methods, estimates and judgments that the NEC Group uses in applying its accounting policies
- Risk that the NEC Group may incur liabilities and losses in relation to its retirement benefit obligations

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, 2017 and 18 were referred as FY17/3 and FY18/3 respectively. Any other fiscal years would be referred similarly.