

Materiality Initiatives to Increase Corporate Value

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NEC Corporation

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.

Strategy

EBITDA Growth rate: 9% Annual average

NEC's growth model

**"Maximizing long-term profit"
and "optimizing short-term profit"**

**Non-financial measurement
methodologies for sustainable growth**

Culture

50% Engagement score

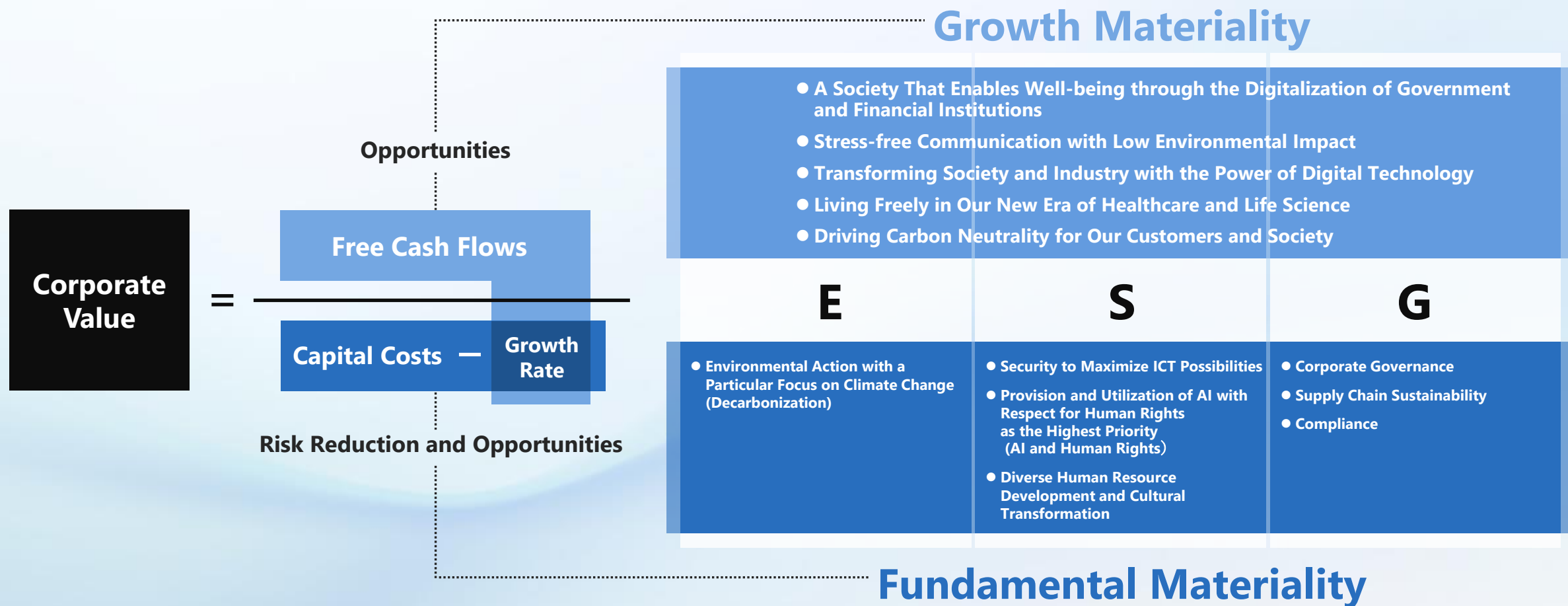
Transformation of People and Culture

Establishment of Business Infrastructure

**Creation of a Shared Vision for
a Brighter Future with Customers**

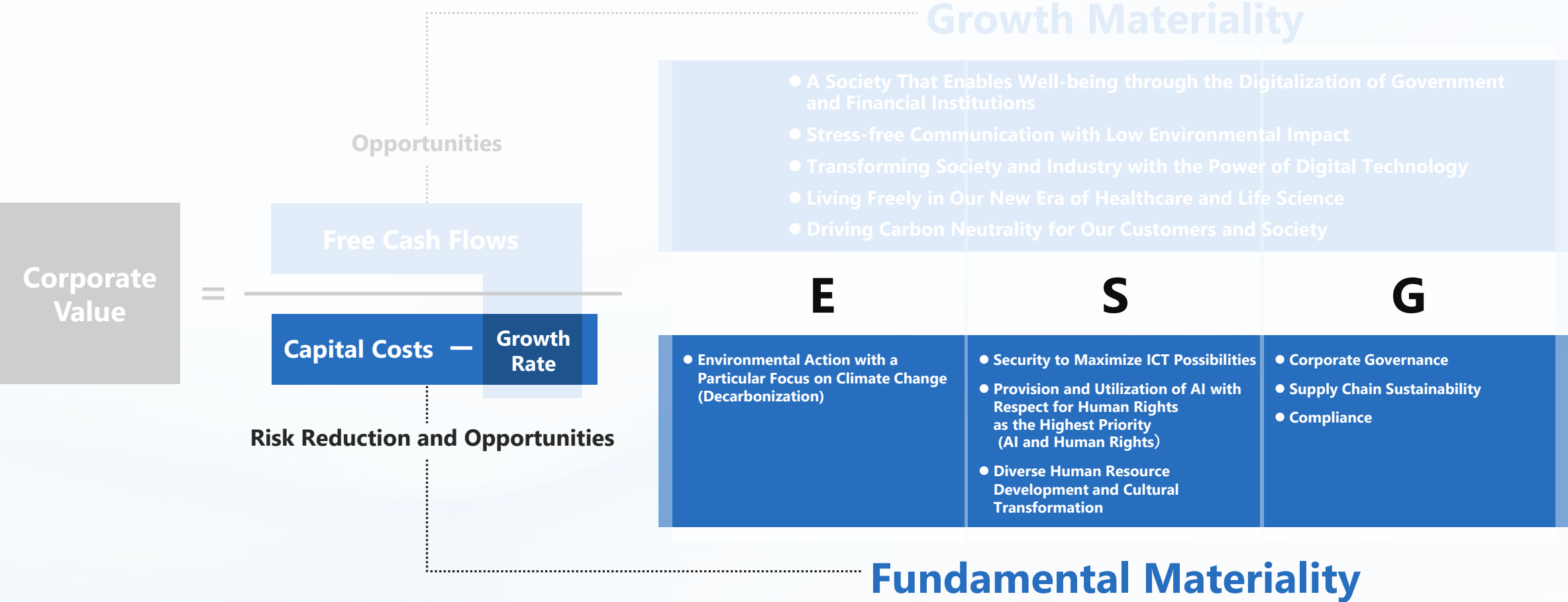
Defining Materiality from Two Aspects of Risk Reduction and Opportunity Generation

Promote Purpose-driven Management Clearly Linking Financial and Non-financial Issues



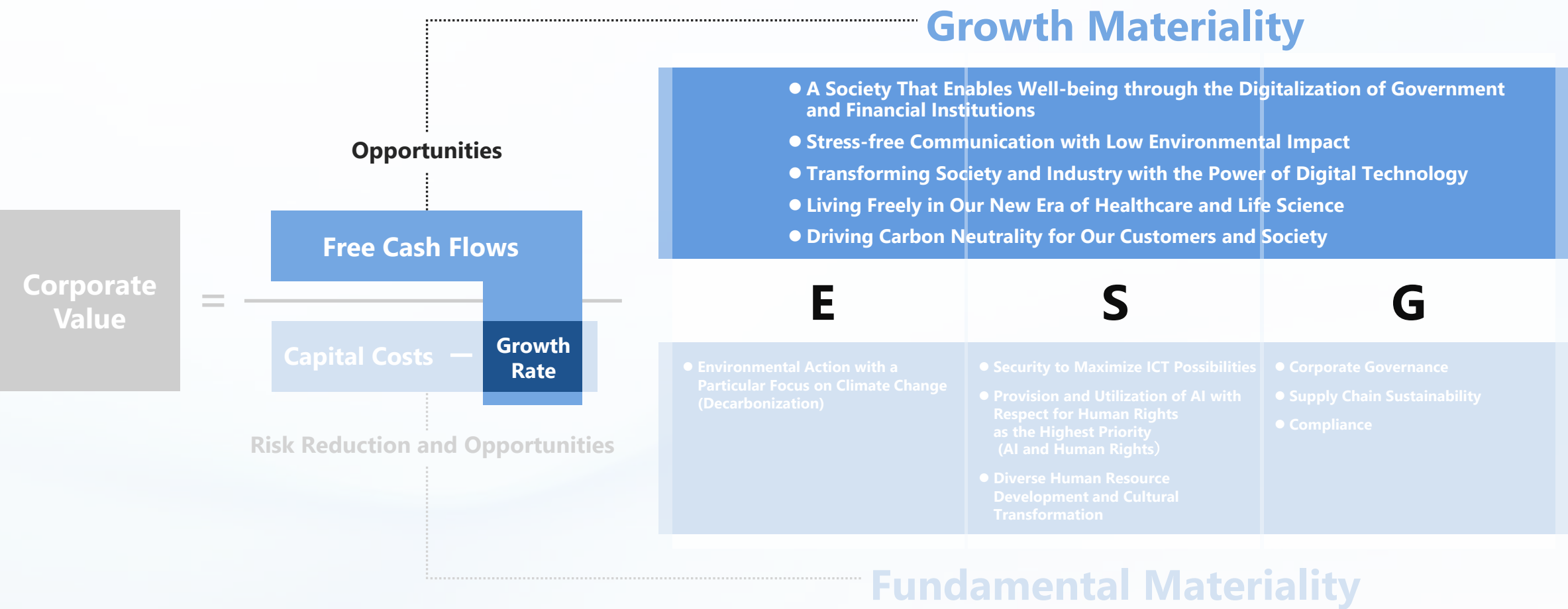
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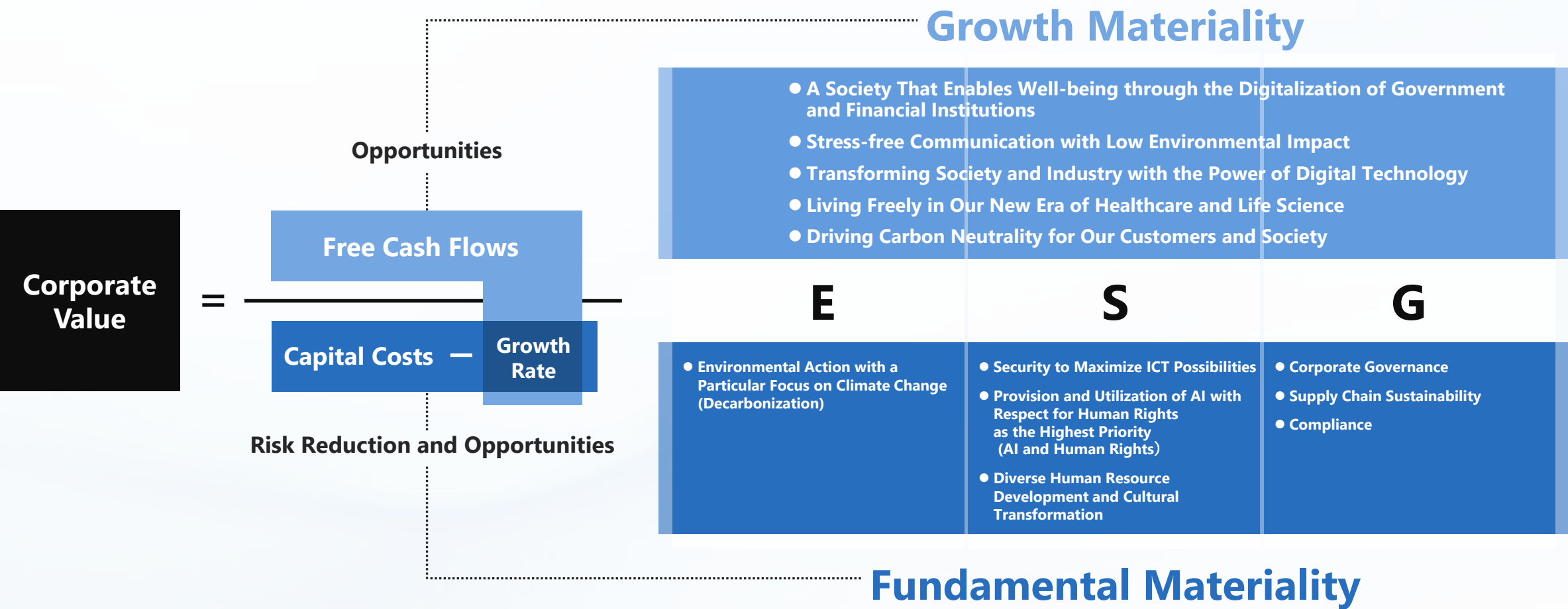
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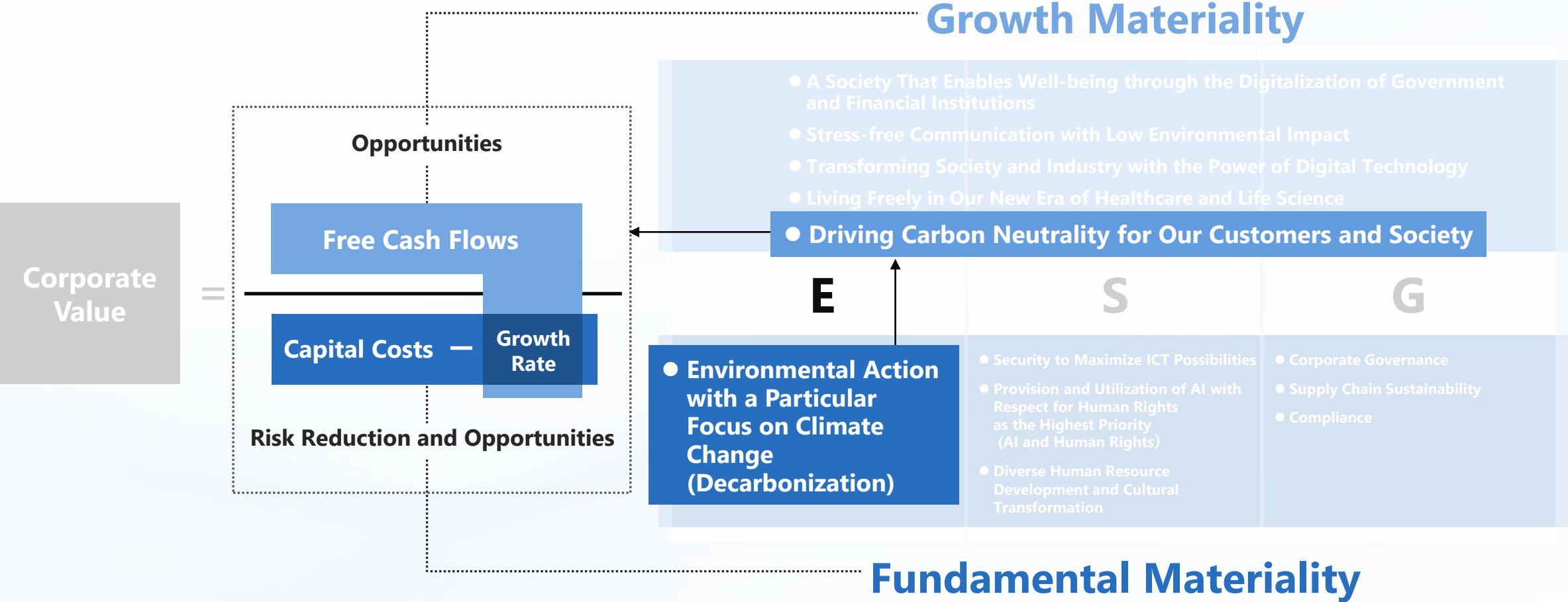
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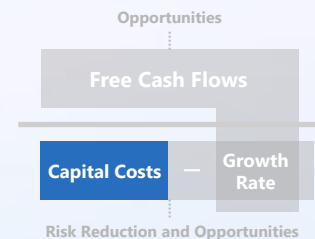


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Financing by Taking Advantage of High External Ratings of Environmental Risk Practices



Environmental initiatives, ratings, and strengths

CDP's prestigious "A List" for 5 years in a row



**NEC Group's efforts
to reduce Scope 1 and 2 CO₂ emissions**

Sustainability-linked bonds issued

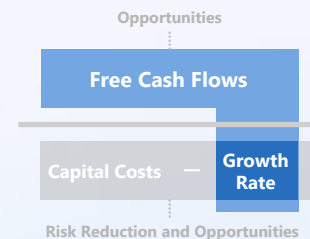
FY2023 **110** billion yen raised

Through issuance of three maturities for 5, 7, and 10 years

FY2024 **40** billion yen raised

Through issuance of two maturities for 5 and 10 years

AI Agriculture Solutions That Help Solve Environmental Issues



Expand business opportunities

Application to supply chain management
 Product quality control and factory optimization
 Initiatives to reduce environmental impact and promote sustainability

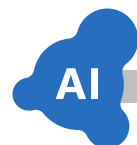
2018
 Participate TCFD

2023
 Issue TNFD report

2013
 Start demonstration

CropScope

AI Optimizes the amounts of nitrogen fertilizer and irrigation for efficiency



Tomato farming

Portugal

Nitrogen fertilizer Down 20%

Italy

Irrigation amount Down 19%

Yield Up 23%

Deployed in:



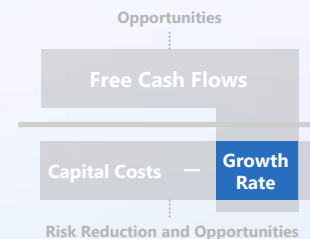
14 countries

Can be used for:

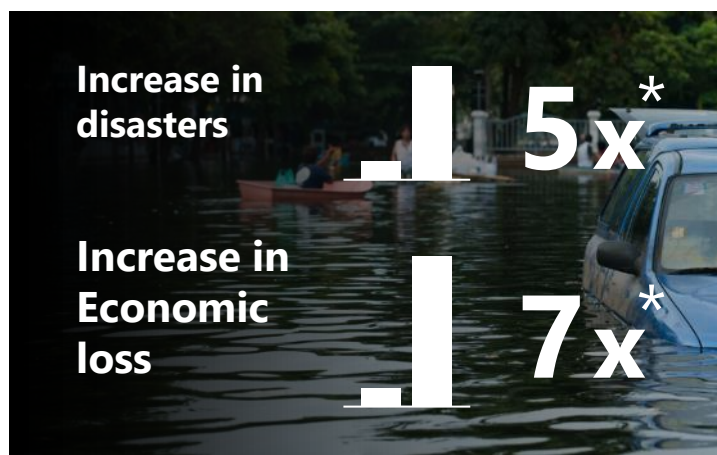


14 crops

Adaptation Finance to Make Society More Resilient by Visualizing Disaster Mitigation and Environmental Effects

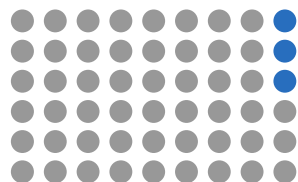


Disaster-caused issues



* Compared to the past 50 years

Adaptation Investment vs. Mitigation Investment

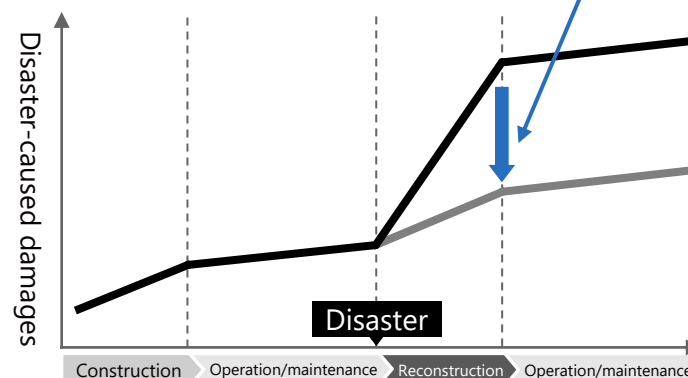


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Adaptation value provided by disaster prevention solutions

Visualization of adaptation value by disaster digital twin

Estimation example: Flood (Japan)



Actual Impact of disaster

Economic loss \$ 5.1 billion

GHG emissions \$ 0.16 billion

Simulator development : Institute of Industrial Science, the University of Tokyo, Gaia Vision Inc., NEC Corporation

Simulated Impact of disaster

Economic loss \$ 1.1 billion

GHG emissions \$ 0.04 billion

Simulator development : Institute of Industrial Science, the University of Tokyo, Gaia Vision Inc., NEC Corporation

Co-creation to Develop New Approach for Adaptation Finance

Announced
today

Establishment of the "Japan Consortium for Adaptation Finance" to accelerate climate action

Prospective co-creation partners

Disaster prevention solution companies

Financial service corporations

Local Governments

Government ministries

International standardization organizations

Universities

Research institutes

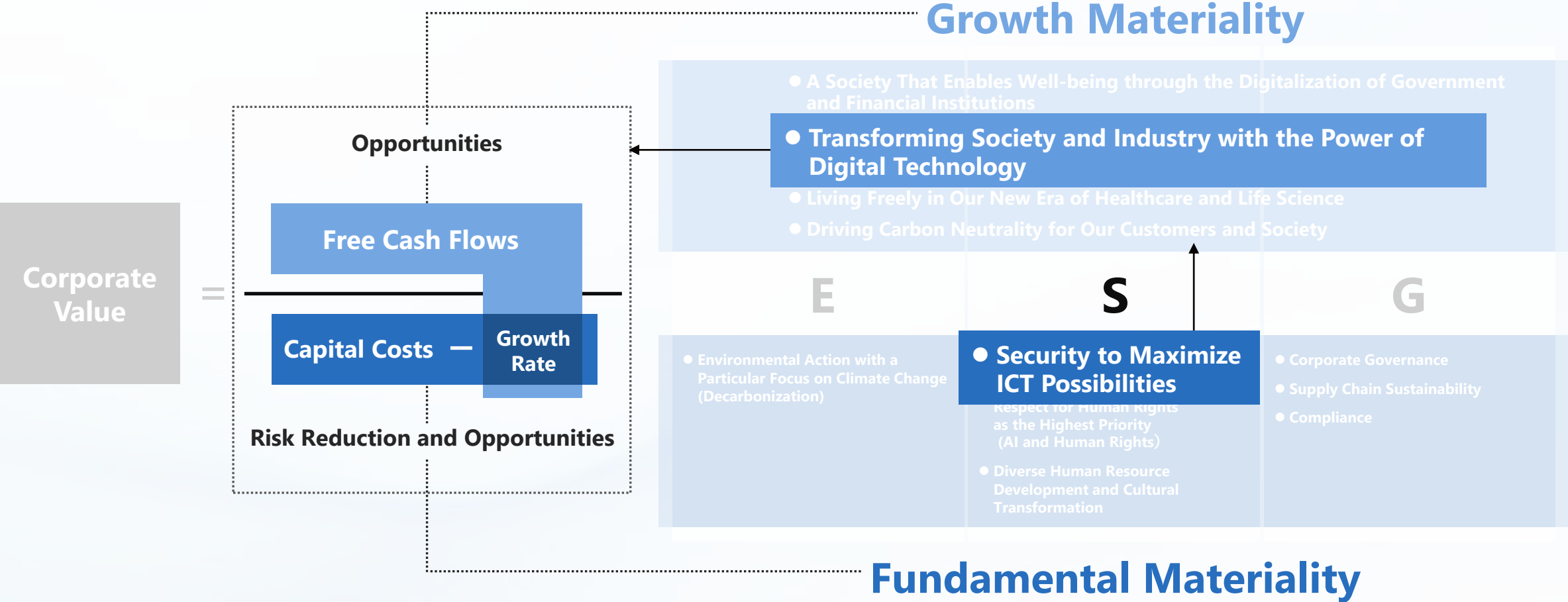
International conferences



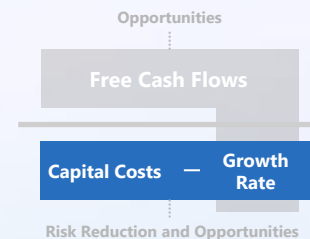
COP28 Advancing Climate Adaptation with Digital Technologies

Defining Materiality from Two Aspects of Risk Reduction and Opportunity Generation

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NEC Implements Advanced Security Management Using Itself as the 0th Client



Evolving and increasingly sophisticated cyberattacks

Number of reported ransomware cases increased

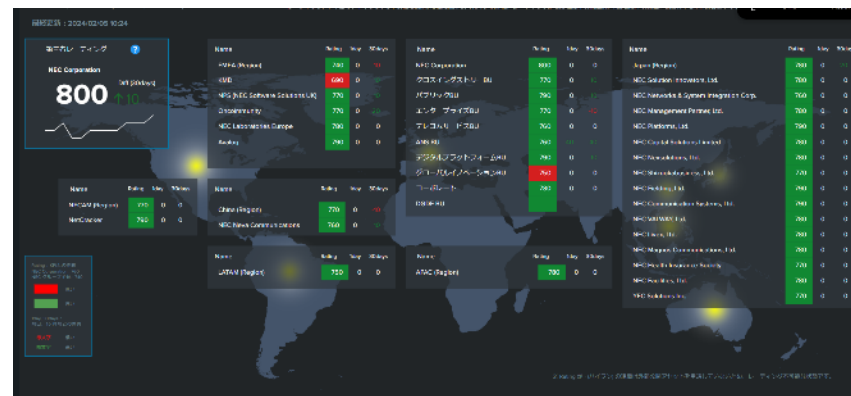
Approx. **5** times

(In 3 years from the 2nd half of 2020)

Security measures are a critical issue

Mitigation of NEC's own security risks

Cybersecurity dashboard

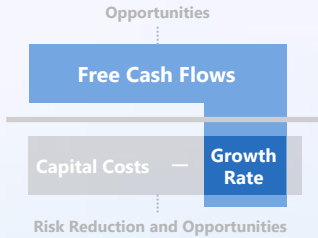


Visualizing the cybersecurity status enables quick management decision-making and allows all employees to raise their awareness and act spontaneously

Provision to customers

NEC helps customers enhance their security by using its own knowledge

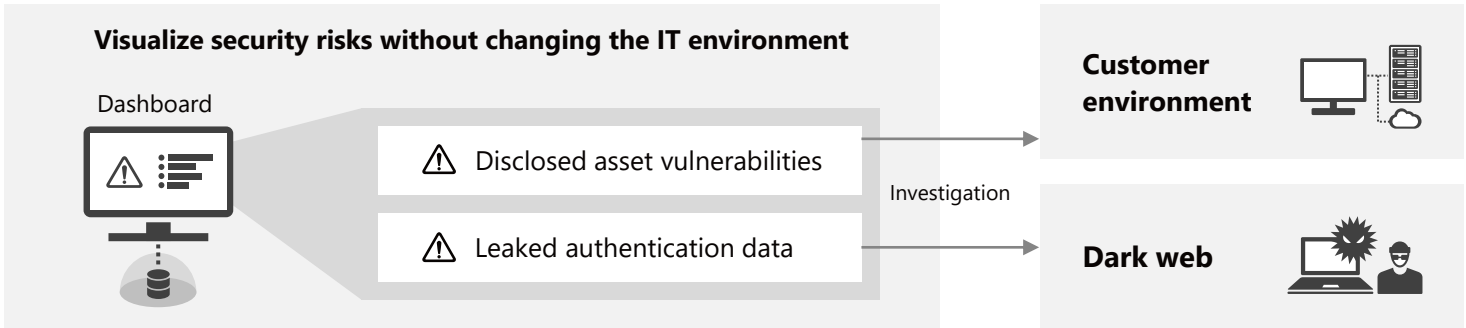
Spread NEC's Initiatives Widely to Mitigate Customers' Security Risks



Built in the NEC Digital Platform* that supports customers' digital transformation

*NEC's digital platform to support its core DX business

Key technologies to support DX

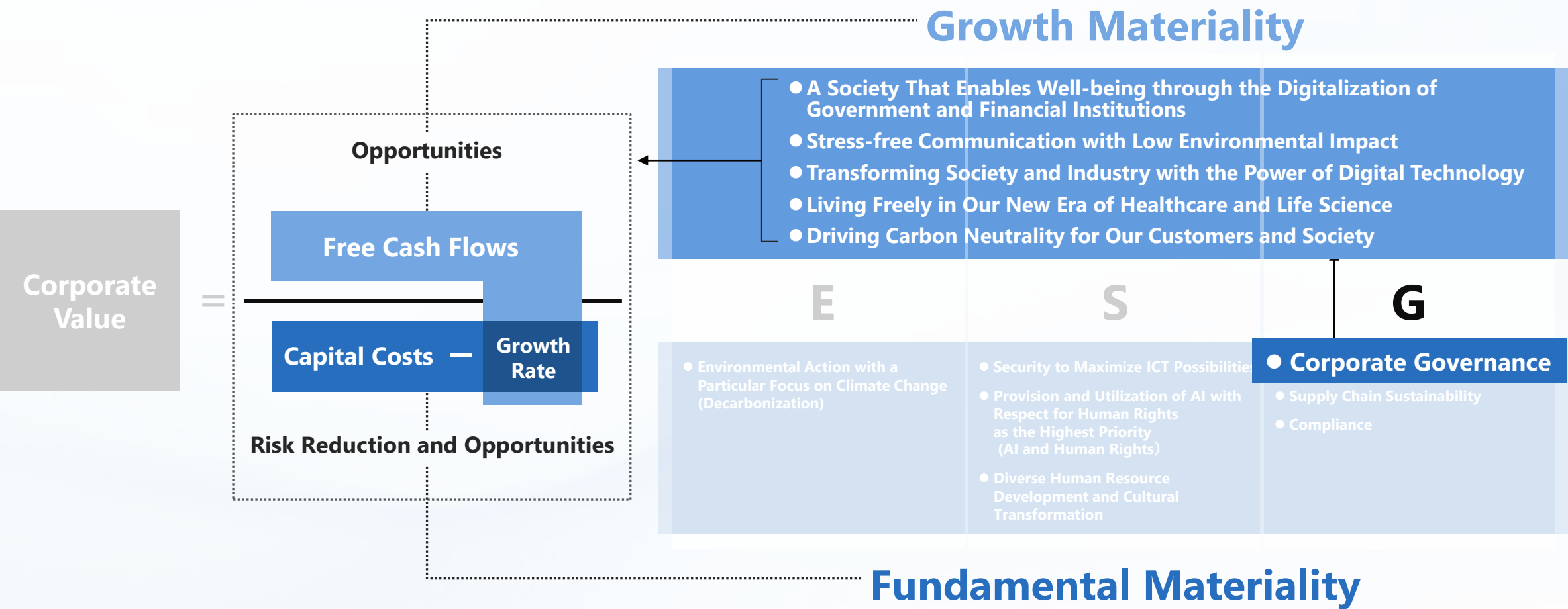


Sales target of the entire cybersecurity business

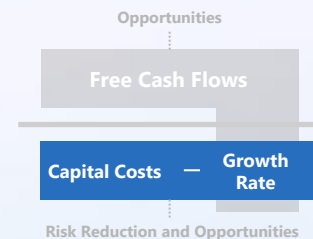
FY2026 **50** billion yen

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Corporate Governance Reform for the Formulation of Mid- and Long-term Strategies and Faster Management Decision-making



Structure of the board of directors

Composition and strengthening of members to function the reform of the board of directors in line with the transition to a Company with a Nominating Committee, etc.

- **June 2023** Let independent outside directors be the majority Appointed 3 new outside directors; the board consisting of 12 members [7 outside directors and 5 inside directors]
- **June 2024** Increased one more independent outside director Ratio of outside directors: 62%
 Boosted diversity (gender and nationality) Appointed 2 new outside directors; the board consisting of 13 members [8 outside directors and 5 inside directors]

Operation of the board of directors

Separating oversight function and business execution to allow for more active discussions on mid- and long-term strategies

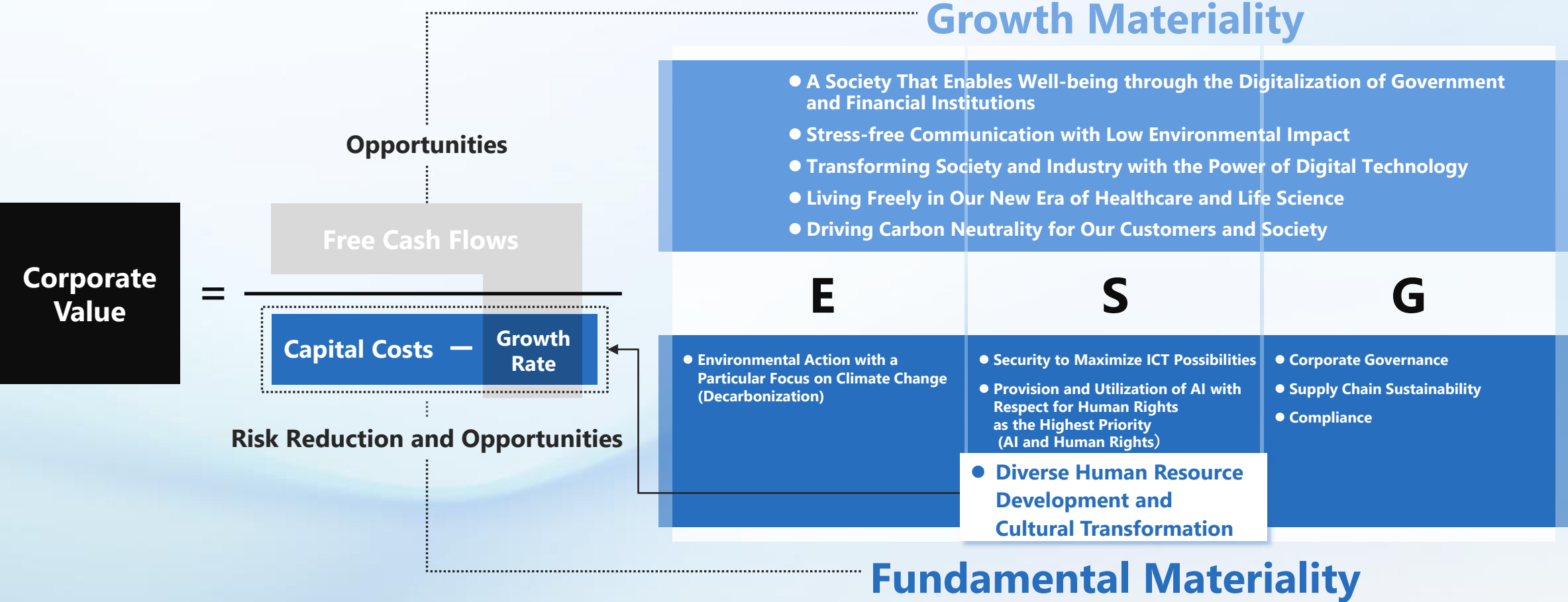
- Fulfilling more outside directors further energizes discussions
- One or two intensive discussions a year at offsite meetings [concerning mid- and long-term strategies and the strengthening of governance]

Faster and better management decision-making

Enhance the risk management and internal audit systems

- Build a risk management system under the leadership of the CRO
 (more advanced use of the company-wide risk map and adequate risk control)
- Strengthening of the audit system by the Group Internal Audit Department
 (reconstruction of audit systems in Japan and abroad, and sophistication of audits)

Human Capital Strategy as the Top Priority Issue for Increasing the Corporate Value



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