

**This is a translation of the Notice of the 184th Ordinary General Meeting of Shareholders of NEC Corporation, and is provided for reference purposes only without any warranty as to its accuracy, completeness of the information, or otherwise. Please note that this translation does not include the translation of the information on exercising voting rights, Notes to Non-consolidated Financial Statements and some other information contained in the Japanese original. In the event of any discrepancy between the Japanese original and this translation, the original shall prevail.**

## NEC Corporation

Securities Code 6701

7-1, Shiba 5-chome,  
Minato-ku, Tokyo

Takayuki Morita  
President  
(Representative Director)

May 31, 2022

**To Our Shareholders:**

### **NOTICE OF THE 184TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

This is to inform you that the 184th Ordinary General Meeting of Shareholders (the “Meeting”) of NEC Corporation (the “Company”) will be held as follows:

- DATE:** June 22, 2022 (Wednesday) at 10:00 a.m. (Japan Standard Time)  
(entry begins at 9:00 a.m. (Japan Standard Time))
- PLACE:** NEC Tamagawa Renaissance City Hall, Tamagawa Plant, NEC Corporation  
at 1753 Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa  
\*The Company has changed the meeting to be held in the Company facility above based on the number of attendees in recent years and from the perspective of an appropriate venue scale and the venue’s secure use. Please do not mistake the venue, as it differs from last year.
- AGENDA OF THE MEETING:**

#### MATTERS TO BE REPORTED UPON:

Report on the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements of the 184th business period from April 1, 2021 to March 31, 2022 (“Business Period”), and report on the results of the audit on the Consolidated Financial Statements conducted by the Accounting Auditors and the Audit & Supervisory Board (KANSAYAKU-KAI).

#### MATTERS TO BE VOTED UPON:

- Proposal No. 1: Partial Amendment to the Articles of Incorporation  
Proposal No. 2: Election of Ten (10) Directors  
Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members (KANSAYAKU)

- From the viewpoint of preventing the spread of the novel coronavirus infections (“COVID-19”), we kindly ask you to refrain from attending the Meeting as much as possible, and exercise your voting rights in advance.
- No souvenirs will be provided. Your understanding would be appreciated.
- In the event that the Company finds any correction(s) that should be made in the reference documents for the Meeting, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial

Statements), such correction(s) will be specified through the Company's website.

## REFERENCE DOCUMENTS FOR THE MEETING

### Proposed Matters for Voting and reference matters thereof:

#### Proposal No. 1: Partial Amendment to the Articles of Incorporation

The Articles of Incorporation of the Company are proposed to be amended, in part, as follows:

##### 1. Reasons for the amendments

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing materials for the general meeting of shareholders in electronic format.

- (1) Article 14, paragraph 1 in “Proposed Amendment” below will establish the provision to stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 14, paragraph 2 in “Proposed Amendment” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provision for Internet disclosure and deemed provision of reference documents for the general meeting of shareholders, etc. (Article 14 of the current Articles of Incorporation) will no longer be required, it will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

##### 2. Proposed amendment

Contents of the amendment are as follows:

Current Text	Proposed Amendment
<p style="text-align: right;">(Underlined are the amended parts)</p> <p><u>(Disclosure of Reference Documents, etc. on the Internet)</u>  <u>Article 14. In convening a general meeting of shareholders, it shall be deemed that the Company has provided shareholders with the information required to be described or shown in reference documents for the general meeting of shareholders, business reports, non-consolidated financial statements and consolidated financial statements when such information is disclosed on the Internet in accordance with the relevant laws and regulations.</u></p>	<p>(Deleted)</p>
<p>(New Article)</p>	<p><u>(Measures, etc. for Providing Information in Electronic Format)</u>  <u>Article 14.</u>  <u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u>  <u>2. Among items for which the measures for</u></p>

	<p><u>providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date for voting rights.</u></p>
<p>(New Article)</p>	<p><u>(Supplementary Provisions)</u></p> <p><u>1. The deletion of Article 14 (Disclosure of Reference Documents, etc. on the Internet) in the pre-amended Articles of Incorporation and the establishment of the new Article 14 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 14 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

**Proposal No. 2: Election of Ten (10) Directors**

Upon the close of the Meeting, the term of office as Director of all eleven (12) Directors will expire. In order to further strengthen the NEC Group's corporate governance by increasing the ratio of Independent Outside Directors and enable swifter decision-making, it is proposed that ten (10) Directors be elected by decreasing two (2) Directors for a total of five (5) Outside Directors. The candidates for Director are as follows listed on pages 13 to 21.

The candidates for Director were deliberated by the Nomination and Compensation Committee, which chaired by an Independent Outside Director and majority of the Committee members are Independent Outside Directors, and approved by the Board of Directors.

The candidates for Director are as follows:

No.	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors	Year served as a Director (Upon the close of the Meeting)
1	Takashi Niino	Vice Chairman of the Board (Representative Director) Matters relating to corporate management policy/ Important matters relating to the reinforcement of NEC Group's corporate governance	14 out of 14 meetings	11 years
2	Takayuki Morita	President (Representative Director) CEO (Chief Executive Officer) Management of the Company's business/ Important matters relating to internal audit and export & import trade control	14 out of 14 meetings	6 years
3	Hajime Matsukura	Executive Vice President and Member of the Board CHRO (Chief Human Resources Officer) CLCO (Chief Legal & Compliance Officer) Human resources and general affairs, legal, internal control, internal audit and export & import trade control	14 out of 14 meetings	5 years
4	Motoo Nishihara	Executive Vice President and Member of the Board CTO (Chief Technology Officer) Global Innovation	14 out of 14 meetings	3 years
5	Osamu Fujikawa *New candidate	Executive Vice President CFO (Chief Financial Officer) Corporate strategy, corporate controller, corporate finance and marketing	-	-
6	Noriko Iki *Candidate for Outside Director	Member of the Board	14 out of 14 meetings	4 years
7	Masatoshi Ito *Candidate for Outside Director	Member of the Board Member of the Nomination and Compensation Committee	14 out of 14 meetings	3 years
8	Kuniharu Nakamura *Candidate for Outside Director	Member of the Board Member of the Nomination and Compensation Committee	14 out of 14 meetings	3 years
9	Christina Ahmadjian *Candidate for Outside Director	Member of the Board	11 out of 11 meetings	1 year

No.	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors	Year served as a Director (Upon the close of the Meeting)
10	Masashi Oka *New candidate *Candidate for Outside Director	-	-	-

Note: Members of the Nomination and Compensation Committee are above two (2) members, Messrs. Masatoshi Ito and Kuniharu Nakamura, and Messrs. Nobuhiro Endo and Kaoru Seto who is the chairman of the committee. Messrs. Nobuhiro Endo and Kaoru Seto will retire upon the close of the Meeting.

No.	Name	The attributes of the candidates for Directors			Particular area that Corporate expects for the candidates for Directors to have for Directors						
		Independent director	Non-executive	Gender Nationality	Corporate management	Technology	Global business	Financial accounting Investment	Risk management	Sustainability ESG	Marketing
1	Takashi Niino				●	●	○	○	●	●	●
2	Takayuki Morita				●	○	●	●	●	●	●
3	Hajime Matsukura				○	○	○	●	●	●	○
4	Motoo Nishihara					●	●	○	○	○	○
5	Osamu Fujikawa					●	●	●	○	●	○
6	Noriko Iki	◎	◎	◎ (Female)	●		●		●	●	
7	Masatoshi Ito	◎	◎		●		●	○	●	●	●
8	Kuniharu Nakamura	◎	◎		●		●	○	●	●	●
9	Christina Ahmadjian	◎	◎	◎ (Female, Foreign nationality)	○		●	○	●	●	○
10	Masashi Oka	◎	◎		●		●	●	●	○	

Notes: 1.◎ shows attributes corresponding to a candidate for Directors, ○ shows the areas in which a candidate for Directors has deep insight, and ● shows the areas in which a candidate for Directors has extensive experience in addition to deep insight. The chart does not cover all the experience and insight possessed by the candidates for Directors.

(Reference: "Policy and Process for Selecting Candidates for Director"):

1. Policy for Selecting Candidates for Director

The Board of Directors is responsible for making important decisions for the Company’s business execution, including decision on its basic management policies, as well as supervising overall business execution. To effectively fulfill their roles and responsibilities, the Board of Directors is comprised with consideration given to the balance between diversity, in such factors as career background, specialist field, internationality and gender, and appropriate size. The points the Company considers when selecting candidates for Director are as follows:

- The candidates for directors are satisfied requirement of a Director as specified by laws and regulation, and they have superior character, insight and high ethical standards.
- The candidates for directors sympathize with the NEC Way and act with strong will to realize the Philosophy.
- Outside Director’s independency is expected to be ensured through the Board of Directors’ composition as a whole.
- The candidates for directors have the attributes of the candidates for directors expected by the Company and particular areas of extensive experience and deep insight that the Company expects the candidates for Director to have "(Career background and skills particularly expected of Directors)"

2. Decision and Application of Career Background and Skills Particularly Expected of Directors (Process of Selecting Candidates for Director)

In order to further enhance the effectiveness of the Board of Directors, the Company is working to improve its structure so that more in-depth discussion can be ensured on matters related to “broad, company-wide management strategies” and “corporate governance”. From the perspective of obtaining a broad range of knowledge on the relevant matters, Career background and skills particularly expected of Directors were considered and formulated by the Nomination and Compensation Committee.

The Company has defined its Purpose as the creation of social values and the realization of a sustainable society where everyone has the chance to reach their full potential. Pursuing innovation and aiming to enhance people’s mutual understanding, the Company has been working to achieve the Purpose while living harmoniously with the earth. In considering and formulating the career background and skills particularly expected of Directors, the Company takes into account not only roles that are deemed necessary at the moment but also roles reflecting deepening and broadening of future needs from a long-term perspective by keeping in mind medium- to long-term management strategy including the realization of “NEC 2030VISION” developed by the NEC Group, which is what the NEC Group wants to achieve by 2030, and Purpose, and the Mid- term Management Plan.

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

3. Specific Details of Career Background and Skills Particularly Expected of Directors

Skills	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of companies, etc.
Technology	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation
Global business	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation
Financial accounting/Investment	Experience as chief financial officer of large-scale organizations, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Risk management	Risk management experience in accounting, legal affairs, technology, cyber security, etc. in large-scale organizations, or specialized knowledge on international and domestic legal affairs
Sustainability/ESG	Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management

Marketing	Leadership experience in the marketing or brand strategy department or the sales department, or specialized knowledge on business-to-business transactions and marketing
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(Reference: "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU)"):

The Company declares that an Outside Director and an Outside Audit & Supervisory Board Member who is not fallen under any of the following description is independent of the Company.

1. Presently or at any time within the past three years, any of his or her relative within the second degree of relationship was an important executing person at the Company or the Company's Group subsidiary.
2. Presently or at any time within the past three years, the person is or was a person executing the operations ("executing person") of a major business partner\*1, or any of his or her relative within the second degree of relationship is or was an executing person at a major business partner (if such a person holds or held a position equal to an important executing person at the Company).
3. In any one of the past three fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of 10 million yen or more (excluding remuneration for Directors or Audit & Supervisory Board Members (KANSAYAKU)) from the Company.
4. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has belonged to the Accounting Auditors of the Company.
5. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has been an executing person of an organization that has received a significant amount of donation from the Company.\*2

\*1 Major business partner:

1. A business partner with the total amount of transactions with the Company (consideration for offering products/services and procurements) exceeding 2% of sales of the Company or such business partner; or,
2. A business partner to whom the Company owes the average annual amount exceeding 2% of total assets of the Company.

\*2 Organization that has received a significant amount of donation from the Company:

An organization that has received from the Company a significant amount of donation exceeding the greater of 10 million yen, or 2% of the gross income of such organization, in any one of the past three fiscal years.

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
1. Takashi Niino (September 8, 1954)  *Male	April 1977	Joined the Company	9,900
	April 2004	Executive General Manager, 2nd Solutions Sales Operations Unit	
	April 2005	Senior General Manager, 3rd Solutions Operations Unit	
	April 2006	Executive General Manager, Financial Solutions Operations Unit	
	April 2008	Senior Vice President and Executive General Manager, Financial Solutions Operations Unit	
	August 2008	Senior Vice President	
	April 2010	Executive Vice President	
	June 2011	Executive Vice President and Member of the Board	
	July 2011	Executive Vice President, CSO (Chief Strategy Officer) and Member of the Board	

	<p>April 2012 Senior Executive Vice President, CSO (Chief Strategy Officer) , CIO (Chief Information Officer) and Member of the Board (Representative Director)</p> <p>April 2016 President (Representative Director) and CEO(Chief Executive Officer)</p> <p>April 2021 Vice Chairman of the Board (Representative Director) (to present)</p>	
	<p>Reasons for Nomination of a Candidate:  He has extensive experience and sufficient performance records, having had been engaged in the management of financial solutions business and NEC Group's management strategies as Senior Executive Vice President, CSO, CIO and Member of the Board (Representative Director), and afterwards, having been engaged in the management of the Company as President (Representative Director) since 2016 and as Vice Chairman of the Board (Representative Director) since April 2021. The Company has nominated him as a candidate for Director considering that he is appropriate to contribute to the Company's sustainable growth and improvement of NEC's corporate value, and to strength NEC Group's corporate governance which will be the basis of sustainable management, through culture transformation and promotion of diversity.</p>	
	<p>Attendance at Meeting of the Board of Directors:  14 out of 14 meetings  Attendance rate: 100%</p>	
<p>2. Takayuki Morita  (February 5, 1960)   *Male</p>	<p>April 1983 Joined the Company</p> <p>April 2002 General Manager, Business Development Division</p> <p>April 2006 Senior Vice President and Executive General Manager, Corporate Business Development Unit</p> <p>April 2008 Senior Vice President</p> <p>July 2011 Executive Vice President</p> <p>April 2016 Executive Vice President and CGO (Chief Global Officer)</p> <p>June 2016 Executive Vice President, CGO (Chief Global Officer) and Member of the Board</p> <p>April 2018 Senior Executive Vice President and Member of the Board (Representative Director)</p> <p>June 2018 Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)</p> <p>April 2021 President (Representative Director) and CEO (Chief Executive Officer) (to present)</p>	3,100

	<p>Reasons for Nomination of a Candidate:  He has extensive experience and sufficient performance records, having had been engaged in the management of NEC Group's global business, NEC Group's accounting and financial strategies, NEC Group's management strategies and M&amp;A as Senior Executive Vice President, CFO and Member of the Board (Representative Director) and afterword having been engaged in the management of the Company as President (Representative Director) since April 2021. The Company has nominated him as a candidate for Director considering that he is appropriate to contribute to the Company's sustainable growth and improvement of NEC's corporate value, and to lead the Company's transformation into Social value innovator.</p>		
	<p>Attendance at Meeting of the Board of Directors:  14 out of 14 meetings  Attendance rate: 100%</p>		
<p>3.Hajime Matsukura  (December 12, 1961)   *Male</p>	<p>April 1985  April 2005  April 2006   April 2008  April 2014   April 2017   June 2017   April 2018   April 2019   April 2022</p>	<p>Joined the Company  General Manager, Marketing Planning Division  Assistant Executive General Manager, Business Development Unit  General Manager, Corporate Strategy Division  Senior Vice President and President (Representative Director) of NEC Management Partner, Ltd.  Executive Vice President and CSO (Chief Strategy Officer)  Executive Vice President, CSO (Chief Strategy Officer) and Member of the Board  Executive Vice President, CSO (Chief Strategy Officer), CHRO (Chief Human Resources Officer) and Member of the Board  Executive Vice President, CHRO (Chief Human Resources Officer) and Member of the Board  Executive Vice President, CHRO (Chief Human Resources Officer), CLCO (Chief Legal &amp; Compliance Officer) and Member of the Board (to present)</p>	<p>4,000</p>
	<p>Reasons for Nomination of a Candidate:  He has extensive experience and sufficient performance records, having had been engaged in the management of corporate strategies at the Company's corporate departments and in NEC Group's operational reform as President (Representative Director) of NEC Management Partner, Ltd. and afterwards, having been in charge of NEC Group's culture transformation, human resources strategies and legal&amp; compliance strategies as Executive Vice President, CHRO, CLCO and Member of the Board. The Company has nominated him as a candidate for Director considering that he is appropriate to implement building culture, developing human resources for NEC Group's growth and strength the compliance, and to supervise the Company's business units.</p>		
	<p>Attendance at Meeting of the Board of Directors:  14 out of 14 meetings  Attendance rate: 100%</p>		

4. Motoo Nishihara (January 23, 1962)  *Male	April 1985	Joined the Company	3,400
	July 2011	General Manager, System Platform Research Laboratories	
	April 2012	General Manager, Cloud System Research Laboratories	
	April 2016 April 2019	Senior Vice President Executive Vice President and CTO (Chief Technology Officer)	
	June 2019	Executive Vice President , CTO (Chief Technology Officer) and Member of the Board (to present)	
Important Concurrent Positions: Director, Japan Aviation Electronics Industry, Limited			
Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of Research and Development as Senior Vice president, and afterwards, having been in charge of NEC Group's Research and Development, Business Development and technology strategies as Executive Vice President and CTO and Member of the Board. The Company has nominated him as a candidate for Director considering that he is appropriate to create and expand core businesses for NEC Group's growth and to supervise the Company's business units.			
Attendance at Meeting of the Board of Directors: 14 out of 14 meetings Attendance rate: 100%			
5. Osamu Fujikawa (May 18, 1965)  *New Candidate *Male*Male	April 1988	Joined the Company	1800
	April 2014	Department Manager, Corporate Business Development Division	
	April 2017	Senior Vice President	
	April 2021	Executive Vice President and CFO (Chief Financial Officer) (to present)	
Reasons for Nomination of a Candidate and Outline of Expected Roles: He has extensive experience and sufficient performance records, having been engaged in the financial solutions business and new business strategies, and afterwards, having been in charge of the NEC Group's new business development strategies as Senior Vice President and the NEC Group's accounting, financial strategy, management strategy and M&As as Executive Vice President and CFO (Chief Financial Officer). The Company has nominated him as a candidate for Director considering that he is appropriate to implement strategies to improve the Company's growth and performance records and to supervise the Company's business units.			

<p>6. Noriko Iki (March 21, 1956)</p> <p>*Candidate for Outside Director *Female</p>	<p>April 1979</p> <p>July 2009</p>	<p>Joined the Ministry of Labour</p> <p>Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare</p>	0
	<p>July 2010</p>	<p>Research Director, Japan Institute for Labour Policy and Training</p>	
	<p>April 2011</p>	<p>Senior Research Director, Japan Institute for Labour Policy and Training</p>	
	<p>September 2012</p>	<p>Director-General, Tokyo Labour Bureau, Ministry of Health, Labour and Welfare</p>	
	<p>April 2014</p>	<p>Ambassador Extraordinary and Plenipotentiary to Brunei Darussalam, Ministry of Foreign Affairs</p>	
	<p>July 2017</p> <p>March 2018</p>	<p>Retired from Ministry of Foreign Affairs</p> <p>Director, Japan Institute for Women's Empowerment &amp; Diversity Management</p>	
	<p>June 2018</p> <p>June 2018</p>	<p>President, Japan Institute for Women's Empowerment &amp; Diversity Management (to present)</p> <p>Member of the Board of the Company (to present)</p>	
<p>Important Concurrent Positions:</p> <p>President, Japan Institute for Women's Empowerment &amp; Diversity Management</p> <p>Outside Director, NIPPON STEEL CORPORATION (Scheduled for retirement, June 2022)</p>			
<p>Reasons for Nomination of a Candidate and Outline of Expected Roles:</p> <p>The Company has nominated her as a candidate for Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight relating to administrative and diplomatic area. Although she has never been involved in management of stock companies or membership companies, the Company has judged that she can perform the duties as Outside Director for the reasons described above and for the fact that she has an experience involving in the management of Japan Institute for Women's Empowerment &amp; Diversity Management, an organization promoting diversity, as President. The Company expects her to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as diversity, corporate management, global business, risk management and sustainability (including ESG).</p>			
<p>Notice relating to Independence of Candidate for Outside Director:</p> <ul style="list-style-type: none"> <li>• The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director.</li> <li>• The total amount of transactions between Japan Institute for Women's Empowerment &amp; Diversity Management, where she serves as President, and the Company is less than 1% compared with Net sales of Japan Institute for Women's Empowerment &amp; Diversity and the ordinary revenue of the Company for the past 3 fiscal years.</li> </ul>			
<p>Attendance at Meeting of the Board of Directors:</p> <p>14 out of 14 meetings</p> <p>Attendance rate: 100%</p>			

<p>7. Masatoshi Ito (September 12, 1947)</p> <p>*Candidate for Outside Director</p> <p>*Male</p>	<p>April 1971 June 1999 April 2003 August 2006 June 2009 June 2015 June 2019 June 2019 June 2021 April 2022</p>	<p>Joined Ajinomoto Co., Inc. Member of the Board, Ajinomoto Co., Inc. Representative Director, President, Ajinomoto Frozen Foods Co., Inc. (until March,2005) Representative Director, Corporate Senior Vice President and President, Food Products Company, Ajinomoto Co., Inc. Representative Director, President and Chief Executive Officer, Ajinomoto Co., Inc. Representative Director and Chairman of the Board, Ajinomoto Co., Inc. Member of the Board of the Company (to present) Chairman of the Board, Ajinomoto Co., Inc. Executive Officer and Chairman, Ajinomoto Co., Inc. Executive Officer, Ajinomoto Co., Inc. (to present)</p>	<p>0</p>
<p>Important Concurrent Positions: Executive Officer, Ajinomoto Co., Inc. (Scheduled for retirement and appointment as Senior Corporate Advisors of Company, June 2022)</p>			
<p>Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight relating to marketing and management strategies as management of a manufacturing company. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, risk management, sustainability (including ESG) and marketing.</p>			
<p>Notice relating to Independence of Candidate for Outside Director:</p> <ul style="list-style-type: none"> <li>• The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director.</li> <li>• The total amount of transactions between Ajinomoto Co., Inc., where he serves as Chairman of the Board, and the Company is less than 1% compared with the Net Sales of either party for the past 3 fiscal years.</li> </ul>			
<p>Attendance at Meeting of the Board of Directors: 14 out of 14 meetings Attendance rate: 100%</p>			
<p>8.Kuniharu Nakamura (August 28, 1950)</p> <p>*Candidate for Outside Director</p> <p>*Member of the Nomination and Compensation Committee</p> <p>*Male</p>	<p>April 1974 June 2009 April 2012 June 2012</p>	<p>Joined SUMITOMO CORPORATION Representative Director, Senior Managing Executive Officer and General Manager, Mineral Resources, Energy, Chemical &amp; Electronics Business Unit, SUMITOMO CORPORATION Representative Director, Executive Vice President and General Manager, Mineral Resources, Energy, Chemical &amp; Electronics Business Unit, SUMITOMO CORPORATION Representative Director, President and Chief</p>	<p>0</p>

	<p>April 2018 Executive Officer, SUMITOMO CORPORATION</p> <p>June 2018 Representative Director, Chairman of the Board of Directors, SUMITOMO CORPORATION</p> <p>June 2019 Chairman of the Board of Directors, SUMITOMO CORPORATION(to present)</p> <p>June 2019 Member of the Board of the Company (to present)</p>	
	<p>Important Concurrent Positions: Chairman of the Board of Directors, SUMITOMO CORPORATION Outside Director, Shin-Etsu Chemical Co., Ltd.</p>	
	<p>Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight as management of a general trading company including the management of global businesses. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, risk management, sustainability (including ESG) and marketing.</p>	
	<p>Notice relating to Independence of Candidate for Outside Director:</p> <ul style="list-style-type: none"> <li>• The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director.</li> <li>• The total amount of transactions between SUMITOMO CORPORATION, where he serves as Chairman of the Board of Directors, and the Company is less than 1% compared with the Net Sales of either party for the past 3 fiscal years.</li> </ul>	
	<p>Attendance at Meeting of the Board of Directors: 14 out of 14 meetings Attendance rate: 100%</p>	
<p>9.Christina Ahmadjian (March 5, 1959)</p> <p>*Candidate for Outside Director</p> <p>*Female</p>	<p>January 1995 Assistant Professor, Graduate School of Business, Columbia University (until October 2001)</p> <p>October 2001 Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>October 2004 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>April 2010 Dean, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>April 2012 Professor, Graduate School, Division of Commerce, Hitotsubashi University</p> <p>April 2018 Professor, Graduate School of Business Administration, Hitotsubashi University (until April 2022)</p> <p>June 2021 Member of the Board of the Company (to present)</p> <p>April 2022 Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University (to present)</p>	100

	<p>Important Concurrent Positions:  Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University  Outside Director, Mitsubishi Heavy Industries, Ltd. (Scheduled for retirement, June 2021)  Outside Director, Asahi Group Holdings, Ltd.  Outside Director, Sumitomo Electric Industries, Ltd.  Outside Director, Japan Exchange Group, Inc. (Scheduled for retirement, June 2022)</p> <p>Reasons for Nomination of a Candidate and Outline of Expected Roles:  The Company has nominated her as a candidate for Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight relating to global corporate strategies, corporate governance and diversity. Although she has never been involved in management of stock companies or membership companies, the Company has judged that she can perform the duties as Outside Director based on her abundant experience of serving in the positions of outside directors. The Company expects her to supervise the business execution and offer provide on management based on her extensive experience and deep insight especially relating to such areas as diversity, global business, risk management and sustainability (including ESG).</p> <p>Notice relating to Independence of Candidate for Outside Director:</p> <ul style="list-style-type: none"> <li>• The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director.</li> <li>• The total amount of transactions between Rikkyo University, where she serves as Specially Appointed Professor, College of Business Department of Global Business, and the Company is less than 1% compared with Net Sales of Rikkyo University and the ordinary revenue of the Company for the past 3 fiscal years.</li> </ul>		
<p>10. Masashi Oka  (July 11, 1955)</p> <p>*New Candidate  *Candidate for Outside Director  *Male</p>	<p>April 1979</p> <p>June 2004</p> <p>June 2005</p> <p>April 2008</p> <p>October 2009</p> <p>July 2010</p> <p>May 2012</p> <p>May 2013</p>	<p>Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd. “MUFG”)</p> <p>General Manager and Global Head, Syndicated Finance Division, The Bank of Tokyo-Mitsubishi, Ltd. (currently, MUFG)</p> <p>Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Executive Officer and General Manager, Corporate &amp; Investment Banking Strategy Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG)</p> <p>Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and President &amp; CEO, Union Bank, N.A. (currently, MUFG Union Bank, N.A.)</p> <p>Managing Executive Officer and CEO for Americas, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and President &amp; CEO, Union Bank, N.A.</p> <p>Senior Managing Executive Officer and CEO for Americas, The Bank of Tokyo-Mitsubishi UFJ,</p>	<p>0</p>

	July 2014	Ltd. and President & CEO, Union Bank, N.A. Special Advisor to the President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Director & Executive Chairman, MUFG Americas Holdings Corporation and Director & Executive Chairman, MUFG Union Bank, N.A.	
	October 2015	Special Advisor to the President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (until June 2016)	
	May 2016	Counselor, NIKON CORPORATION	
	June 2016	Senior Executive Vice President, CFO and Representative Director, NIKON CORPORATION	
	April 2020	Director, NIKON CORPORATION (until May 2020)	
	June 2020	President & CEO, Representative Director, Sony Financial Holdings Inc. (currently, Sony Financial Group Inc.) and President, Representative Director, Sony Financial Ventures Inc. (to present)	
	Important Concurrent Positions: President & CEO, Representative Director, Sony Financial Group Inc.		
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has directorial experience at banks and in the manufacturing industry in addition to extensive experience and deep insight as management in the finance business. The Company expects him to supervise the business execution and offer provide on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, financial accounting (including investment) and risk management.		
	Notice relating to Independence of Candidate for Outside Director: <ul style="list-style-type: none"> <li>• The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director.</li> <li>• There is no contractual relationship between Sony Financial Group Inc. where he serves as President &amp; CEO, Representative Director, and the Company for the past 3 fiscal years.</li> </ul>		

Notes: 1. “Number of the Company’s shares Held” indicates the number of shares held as of March 31, 2022.

2. The Company has entered into agreements with Messrs. Masatoshi Ito and Kuniharu Nakamura and Mss. Noriko Iki and Christina Ahmadjian to limit their liabilities as stipulated in 427 (1) of the Company Law (the “Liabilities Limitation Agreements”) pursuant to Article 24 of the Company’s Articles of Incorporation. When Mr. Masashi Oka is elected as a Director of the Company, the Company will enter into the Liabilities Limitation Agreements with him. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Article 423 (1) of the Company Law to the higher amount of 20 million yen or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on the condition that they perform their duties as Directors in good faith and without gross negligence.

3. The Company has entered into a D&O (directors, corporate auditors and officers) liability insurance contract as stipulated in Article 430-3 (1) of the Companies Act with an insurance company, under which the candidates for Director other than Mr. Masashi Oka are the insured. In addition, when Mr. Masashi Oka is elected as a Director of the Company, he will also become the insured of the insurance contract. The outline of the insurance contract is as described in “3. (5) ‘Outline of D&O Liability Insurance Contract ’” in the

Business Report. The Company plans to renew the insurance contract with substantially the same contents in October 2022.

4. Japan Airlines Co., Ltd. (“JAL”), where Mr. Masatoshi Ito served as Outside Director until June 2021, received a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew on December 21, 2018. In addition, JAL received a business improvement advisory concerning assurance of safety in air transportation by MLIT against an alcohol-related incident by a cabin attendant on January 11, 2019. Furthermore, JAL was once again issued a business improvement order concerning assurance of safety in air transportation due to insufficiencies in JAL’s flight crew management and its safety management system on October 8, 2019. Although Mr. Masatoshi Ito had no knowledge of the aforementioned problems until they were brought to light, he had provided suggestions based on his perspective of legal compliance at JAL’s meetings of the Board of Directors and other venues. Moreover, after becoming aware of the aforementioned incidents, he has fulfilled his duties such as by calling for a thorough investigation of the relevant facts and for the formulation of measures to prevent recurrence.

**Proposal No. 3: Election of one (2) Audit & Supervisory Board Member (KANSAYAKU)**

Upon the close of the Meeting, the term of office of Mr. Isamu Kawashima and Ms. Taeko Ishii as Audit & Supervisory Board Members (KANSAYAKU) will expire. It is proposed that two Audit & Supervisory Board Members (KANSAYAKU) be elected. The consent of the Audit & Supervisory Board (KANSAYAKU-KAI) for this Proposal has been obtained.

The candidate for Audit & Supervisory Board Members (KANSAYAKU) are as follows:

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
Shinobu Obata (June 7, 1961)  *New candidate *Male	April 1985 April 2013 April 2017  May 2018  April 2019  April 2022	Joined the company General Manager, Legal Division Senior Vice President and CCO (Chief Compliance Officer) Senior Vice President, CCO (Chief Compliance Officer) and General Manager, Internal Control Division Senior Vice President and CLCO (Chief Legal and Compliance Officer) Advisor to the President (to present)	700
Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having been engaged in legal and compliance duties at the Company's corporate departments, and afterwards, in legal and compliance strategies across the NEC Group as Senior Vice President and CLCO (Chief Legal and Compliance Officer). The Company has nominated him as a candidate for Audit & Supervisory Board Member (KANSAYAKU) considering that he is appropriate to audit and supervise the execution of Directors by his extensive experience and insight.			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
Kyoko Okada (July 26, 1959)  *New candidate *Candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) *Female	April 1982	Joined Shiseido Company, Limited	0
	October 2011	General Manager, Corporate Culture Department, Shiseido Company, Limited	
	October 2012	General Manager, Corporate Culture Department and Group Leader for the 150-Year History Compilation Project, Shiseido Company, Limited	
	April 2015	General Manager, Executive Section, General Affairs Department, Shiseido Company, Limited	
	June 2015	Audit & Supervisory Board Member (Full-time), Shiseido Company, Limited (until March 2019)	
Important Concurrent Positions: Outside Corporate Auditor, SUBARU CORPORATION Outside Audit & Supervisory Board Member, Daio Paper Corporation Outside Director, JACCS CO., LTD.			
Reasons for Nomination of a Candidate: The Company has nominated her as a candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight, being an auditor and director at numerous companies.			
Notice relating to Independence of Candidate for Outside Audit & Supervisory Board Member (KANSAYAKU) : • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Audit & Supervisory Board Member (KANSAYAKU).			

Notes: 1. Number of the Company's shares Held" indicates the number of shares held as of March 31, 2022.

2. When Ms. Kyoko Okada is elected as an Audit & Supervisory Board Member (KANSAYAKU) of the Company, the Company will enter into agreement with her to limit his liabilities as stipulated in Article 427(1) of the Companies Act (the "Liabilities Limitation Agreement") pursuant to Article 31 of the Company's Articles of Incorporation. The outline of the Liabilities Limitation Agreement is to limit her liabilities as stipulated in Article 423(1) of the Companies Act to the higher amount of 20 million yen or the amount provided in the Company Law and the Regulation for Enforcement of the Company Law on the condition that they perform their duties as Directors in good faith and without gross negligence.
3. The Company has entered into D&O (directors, corporate auditors and officers) liability insurance as stipulated in Article 430-3 (1) of the Companies Act with an insurance company under which Mr. Shinobu Obata are the insured. In addition, when Ms. Kyoko Okada is elected as a Director of the Company, she will also become the insured of the insurance contract. The outline of the insurance contract is as described in "3. (5) 'Outline of D&O Liability Insurance Contract'" in the Business Report. The Company plans to renew the liability contract with substantially the same contents in October 2022.

## **BUSINESS REPORT**

(For the period from April 1, 2021 to March 31, 2022)

### **1. Review of Operations**

#### **(1) Development and Results of Operations of the NEC Group**

##### **Overview**

Despite the impact on the supply side from soaring resource prices due to the worsening situation between Russia and Ukraine, as well as the restrictions on economic activities, restraint of capital investment, and an insufficient supply of materials worldwide due to disruption of logistics related to COVID-19, during the fiscal year ended March 31, 2022, the global economy generally improved moderately due to aggressive fiscal policies and stimulating demand such as easing restrictions on economic activities. Regarding the Japanese economy, improvement was very gradual due to repeated emergency declarations and semi-state of emergency COVID-19 measures.

Within this business environment, the NEC Group conducted business activities with the management policy of integrated efforts between purpose, strategy and culture based on the “Mid-term Management Plan 2025” announced in May 2021.

In terms of "Strategy," the NEC Group aims for growth through a “Focusing on our global business pillars," "Transforming our IT business in Japan" and "Creation of future growth."

Regarding the “Focusing on our global business pillars," in addition to receiving an order for large scale core banking system renewals for wealth management from an existing European customer in the areas of digital government and digital finance, the NEC Group has also decided to deliver the system to a new customer in Asia by taking advantage of global synergies between the Company and its subsidiaries. In the global 5G domain, sales have steadily increased both in the current fiscal year as well as in the previous fiscal year, centered on base stations for domestic telecommunications carriers, and the NEC Group has acquired a succession of commercial projects from major telecommunications carriers internationally. In June 2021, the NEC Group was selected by Vodafone Group Plc of the United Kingdom as a partner to provide 5G base station equipment for the world's largest Open RAN being built in the United Kingdom. Furthermore, in September 2021, the Company reached an agreement with Telefonica S.A. of Spain to demonstrate Open RAN for commercial use in Spain, Germany, the United Kingdom and Brazil.

In the "Transforming our IT business in Japan," the NEC Group has utilized its strengths in the DX (digital transformation) area, defined as core DX, as part of further strengthening the “NEC Digital Platform,” which integrates biometric authentication, video analysis, AI and security technologies. In addition, the NEC Group has expanded the area of DX provision by making use of its own experience to contribute to the reform of customers' work styles. In addition, the Company has started to provide services that realize corporate transformation, and in collaboration with ABeam Consulting Ltd., the Company has also started a strategic partnership program that realizes management problem solving and social value co-creation together with advanced customers. Moreover, the Company has expanded its partnerships with global cloud operators. First, in July 2021, based on a collaboration spanning more than 40 years, Microsoft Corporation of the United States and the Company concluded a contract to expand their strategic partnership with the aim of introducing the cloud to customers and accelerating DX through mutual utilization of technology and knowledge. Furthermore, in September 2021, an agreement was reached with Amazon Web Services, Inc. of the United States to expand and strengthen collaboration in areas that include the digital government and 5G fields.

For "Creating of future growth," in June 2021, "WISE VISION Endoscopy," an AI diagnosis-support medical device software for colonoscopies, began to be sold in Europe as well as Japan. Furthermore, in March

2022, NEC OncoImmunity AS acquired a personalized neoantigen cancer vaccine business as part of strengthening the healthcare and life science business with the aim of overcoming speed and cost issues in vaccine production.

In terms of financial strategy for supporting the creation of growth businesses, the NEC Group's financial base has been strengthened and the Company's credit rating has been raised by rating agencies as a result of efforts to improve profitability and financial soundness.

Regarding "Culture," with the aim of transforming culture and management foundations based on the "Mid-term Management Plan 2025," in April 2021, the Company launched the "Transformation Office" as an organization for leading further transformation in support of the existing in-house transformation initiative, "Project RISE" Under this organization, The Company is carrying out "Transformation with System, Business Process, Organization, IT, People and Data". In addition, based on experience gained from the COVID-19 pandemic, the Company launched "Smart Work 2.0," which is a further strengthening of conventional smart work initiatives, and increases the choices employees have for work places, time and career paths as part of enabling autonomous work styles that can enhance overall motivation. In September 2021, the "Inclusion & Diversity Steering Committee," chaired by the Company's president, was established in order to create a system for taking concrete actions to promote inclusion and diversity. Through these efforts, and strengthening communication between executives and employees, the engagement score set as an indicator in the "Mid-term Management Plan 2025" has improved from 25% to 35%. Going forward, the NEC Group will continue initiatives to transform itself into an organization that is recognized as an "Employer of Choice."

The NEC Group recorded consolidated revenue of 3,014.1 billion JPY for the fiscal year ended March 31, 2022, an increase of 20.1 billion JPY (0.7%) year-on-year. This increase was mainly due to increased revenue in the Enterprise business, despite decreased revenue in the Public Infrastructure business.

Regarding profitability, operating profit worsened by 21.2 billion JPY year-on-year, to an operating profit of 132.5 billion JPY, mainly due to investing strategic expenses, and improvement in other operating income from gain on sales of land and gain on sales of subsidiaries in the previous fiscal year, despite increased revenue. Adjusted operating profit worsened by 7.2 billion JPY year-on-year, to an adjusted operating profit of 171.0 billion JPY.

Profit before income taxes was a profit of 144.4 billion JPY, a year-on-year worsening of 13.4 billion JPY, mainly due to worsened operating profit.

Net profit attributable to owners of the parent was a profit of 141.3 billion JPY, a worsening of 8.3 billion JPY year-on-year. This was primarily due to worsened profit before income taxes. Adjusted net profit attributable to owners of the parent improved by 1.8 billion JPY year-on-year, to an adjusted net profit attributable to owners of the parent of 167.2 billion JPY.

For this business period, the Company declared an annual dividend of 100 JPY per share of common stock (interim dividend of 50 JPY per share).

### **Review of Operations by Segments and Major Business**

The NEC Group's primary business consists of five segments: the Public Solutions, Public Infrastructure, Enterprise, Network Services and Global Businesses. The followings are major services and products, and a review of the financial results for each segment of the NEC Group for this Business Period.

### Public Solutions Business

Major Services and Products
<ul style="list-style-type: none"><li>● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment</li></ul>
Examples of Solutions by Business Sector / Industry
<ul style="list-style-type: none"><li>● Public: Firefighting Command Systems, Fire Prevention/Emergency Wireless Communications Systems, Disaster Prevention Systems, Traffic Control Systems, Railroad Communication Systems, Local Government Systems, Electric Power Provider Systems</li><li>● Healthcare: Electric Medical Record Systems, Regional Healthcare Information Network</li><li>● Regional Industries: Backbone Systems</li></ul>

In the Public Solutions business, revenue was 400.2 billion JPY, a decrease of 24.9 billion JPY (-5.9%) year-on-year, mainly due to decreased sales in sectors that include firefighting/disaster preparedness and regional industries.

Adjusted operating profit (loss) worsened by 9.6 billion JPY year-on-year, to an adjusted operating profit of 29.7 billion JPY, mainly due to decreased revenue.

### Public Infrastructure Business

Major Services and Products
<ul style="list-style-type: none"><li>● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment</li></ul>
Examples of Solutions by Business Sector / Industry
<ul style="list-style-type: none"><li>● Government: Government Information Systems, Biometric Authentication Systems, Air Traffic Control Systems, Satellite Communications / Earth Observation, School / Education Systems, Postal Operator Systems</li><li>● Media: TV Program Production / News Production / Transmission Systems, Digital TV Transmitters</li></ul>

In the Public Infrastructure business, revenue was 650.9 billion JPY, a decrease of 42.0 billion JPY (-6.1%) year-on-year, mainly due to decreased sales in the media sector, as well as reduced demand for PCs for educational institutions on the back of the Japanese government's GIGA school initiative.

Adjusted operating profit (loss) improved by 6.0 billion JPY year-on-year, to an adjusted operating profit of 65.4 billion JPY, mainly due to increased profit at consolidated subsidiaries.

### Enterprise Business

Major Services and Products
<ul style="list-style-type: none"><li>● Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, and System Equipment</li></ul>
Examples of Solutions by Business Sector / Industry
<ul style="list-style-type: none"><li>● Manufacturing: Global SCM Systems, Product Lifecycle Management Systems, Production Management Systems, Sales Management Systems</li><li>● Retail and Services: Retail Systems for Stores and Head Offices, Logistics Management Systems</li><li>● Finance: Bank Settlement Systems, Bank Business Branch Systems, Insurance and Securities Infrastructure Systems, Insurance and Securities Channel Systems</li></ul>

In the Enterprise business, revenue was 574.7 billion JPY, an increase of 71.6 billion JPY (14.2%) year-on-year, mainly due to increased sales in the manufacturing, retail and service, and finance sectors.

Adjusted operating profit (loss) improved by 9.3 billion JPY year-on-year, to an adjusted operating profit of 57.5 billion JPY, mainly due to increased sales.

#### **Network Services Business**

Major Services and Products
<ul style="list-style-type: none"> <li>● Network Infrastructure Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Routers / Switches</li> <li>● Systems Integration (Systems Implementation, Consulting)</li> <li>● Services &amp; Management OSS (Operation Support System / BSS (Business Support System), Services / Solutions</li> </ul>

In the Network Services business, revenue was 511.5 billion JPY, a decrease of 27.3 billion JPY (-5.1%) year-on-year, mainly due to decreased sales at consolidated subsidiaries, despite increased sales in 5G business.

Adjusted operating profit (loss) worsened by 5.7 billion JPY year-on-year, to an adjusted operating profit of 35.5 billion JPY, mainly due to growing 5G investment.

#### **Global Business**

Major Services and Products
<ul style="list-style-type: none"> <li>● Digital Government, Digital Finance</li> <li>● Software Services for Service Providers OSS / BSS</li> <li>● Network Infrastructure Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Wireless Backhaul</li> </ul>

In the Global business, revenue was 485.6 billion JPY, an increase of 35.6 billion JPY (7.9%) year-on-year, mainly due to increased sales in the business for service providers, as well as increased sales in the business for digital government and digital finance.

Adjusted operating profit (loss) improved by 18.8 billion JPY year-on-year, to an adjusted operating profit of 26.3 billion JPY, mainly due to the deconsolidation of subsidiaries in the display area.

#### **(2) Capital Expenditures of the NEC Group**

The total capital expenditures of the NEC Group amounted to 59.3 billion yen during this Business Period. Major capital expenditures include investment in equipment for development and production of defense system and satellite system, equipment related to 5th generation system, equipment related to cloud services, equipment for development of software products and equipment related to smart infrastructure.

#### **(3) Research and Development of the NEC Group**

The main achievements in research and development of the NEC Group for this Business Period are as follows:

##### **(i) Generation of positive initial data from Phase I clinical trials of TG4050, an individualized**

### **neoantigen cancer vaccine**

Cancer immunotherapy, a treatment for cancer, is a method that strengthens the body's natural immune reaction to cancer to suppress cancer's proliferation and development. It is promising as a treatment with few side effects. The Company is researching a cancer vaccine targeting each patient's tumor-specific mutations (neoantigens) for cancer immunotherapy.

The Company is jointly developing the individualized cancer vaccine TG4050 with Transgene SA, a French biotech company that designs and develops virus-based immunotherapies for the treatment of cancer, by combining Transgene's advanced virus engineering platform and NEC Immune Profiler, the Company's powerful AI prediction platform. Midway through analysis of Phase I clinical trials, TG4050 appears to demonstrate a favorable safety profile thus far, and priming of the immune system as well as the first signals of clinical activity were observed.

The Company will promote the development of TG4050 as one effort to enhance healthcare and life science business.

### **(ii) Development of fundamental technology to achieve maximum capacity for submarine optical cables with multicore fibers**

The importance of international data communications infrastructure using submarine optical cables is ever increasing in the context of rising international data usage, driven by factors such as the growth of 5G mobile data and the popularization of online social activities. On the other hand, the number of optical fibers that could be accommodated without increasing the cable size which requires high cost was limited, and because of this limitation of optical fiber, further increasing capacity for communications using optical cable systems was difficult.

Six organizations—the Company; KDDI Research, Inc.; Tohoku University; Sumitomo Electric Industries, Ltd.; Furukawa Electric Co., Ltd.; and Optoquest Co., Ltd.—focused on multicore fibers providing multiple light-transmitting cores within an optical fiber as a technology to overcome the conventional limitations of optical fibers, and developed and demonstrated a fundamental technology in order to realize sustainable capacity increasing for submarine optical cable systems. The Company developed an optical submarine cable allowing for increased transmission capacity while maintaining the size of the cable by adopting these multicore fibers. The possibility of expanding the communications capacity of a 3,000-kilometer class submarine optical cable system to seven times that of existing systems to approximately 1.7 petabits has been confirmed by combining the research results of each organization, including the Company.

In the future, the Company will drive research and development of technology for mass production, operation, and management based on the technology established in this research to strive for implementation in the mid-2020s and contribute to the expansion of international data communications infrastructure.

Note: These results are supported by the “Research and Development of Innovative Optical Network Technology for a Novel Social Infrastructure” initiative, Technological Theme II, “Multicore, High-Capacity Optical Communications System Technology” (FY2018 to FY2021) commissioned by the Ministry of Internal Affairs and Communications, Japan.

### **(4) Financing Activities of the NEC Group**

There was no material fund procurement by means of issuance of shares or bonds by the NEC Group during this Business Period.

### **(5) Material Reorganization, etc.**

NEC Corporation transferred all shares in NEC Energy Solutions, Inc. to LG Energy Solution, Ltd. in February 2022 in order to revise the Company's business portfolio.

### **(6) Challenges to be Addressed by the NEC Group**

To realize its Purpose, the NEC Group formulated in May 2021 the “Mid-term Management Plan 2025” with the fiscal year ending March 31, 2026 as its final year. Under the “Mid-term Management Plan”,

Directors, corporate officers and employees will strive as one to achieve “(i) Purpose,” “(ii) Strategies” and “(iii) Culture” as its management policies.

#### (i) Purpose

In the “NEC Way” the NEC Group defines its Purpose as creating the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. As a corporate group seeking to create social values, the NEC Group will aim to realize it by “Seize the Future Together” with society and customers. To that end, the NEC Group formulated the “NEC 2030VISION”, which explains what the NEC Group will strive to achieve by 2030.



#### (ii) Strategy

By converting NEC Group’s advantage of capabilities in technology into customer value, the NEC Group will achieve growth by “Focusing on our global business pillars,” “Transforming our IT business in Japan,” and “Creation of future growth.”

With regard to “Focusing on our global business pillars,” business growth will be sought with the Digital Government and Digital Finance Business, and the Global 5G Business as focus areas. With regard to the Digital Government and Digital Finance Business, the Company will steadily strengthen the business foundations of NEC Software Solutions UK Limited, KMD A/S, and Avaloq Group AG as well as achieve improvement in growth and profitability by manifesting global synergy between the Company and its subsidiaries. In the Global 5G Business, the NEC Group will open business negotiations regarding base stations in Japan and overseas and expand the countries to which service is provided and business domains, aiming for business growth.

As for “Transforming our IT business in Japan,” the NEC Group will further enhance NEC Digital Platforms, a shared basis of the DX business, by developing joint products across industries and accelerating cooperation with cloud operators. Furthermore, the Company will generate new business opportunities by promoting its strategic partnership program to achieve resolution of management issues and joint creation of social value in addition to working toward the realization of the Vision for a Digital Garden City Nation heralded by the government.

As for the “Creation of future growth,” the NEC Group will further accelerate cooperation with entities outside the company including academic and research institutions to advance business development activities in the AI (artificial intelligence), medical, and healthcare domains.

As for its base business, the NEC Group will formulate plans for improvement of businesses with low profitability and make management decisions if those plans are not attained, including withdrawing from businesses, aiming to achieve steady growth in each business and profitability exceeding that of competitors.

With regard to financial strength, the prerequisite for implementing and supporting these growth

strategies, the NEC Group will generate cash flows by continuously growing EBITDA and optimizing portfolio assets. The Company will implement capital allocation emphasizing business growth with these as capital, strive to construct a sound financial basis, and support future growth investments.

In addition, the NEC Group identified the “Materiality,” comprising priority management themes from an ESG perspective, into the seven themes of climate change, security, AI and human rights, diverse human resources, corporate governance, supply chain sustainability, and compliance to reinforce non-financial measurement methodologies to underpin sustainable growth of the NEC Group and society. The Company will aim to continuously incorporate ESG indices by practicing the “Materiality” for continuous growth.

(iii) Culture

In order to realize its Purpose, as highly motivated employees are indispensable, the NEC Group will aim to transform itself into an “Employer of Choice.” In particular, the Company will carry out “Transformation of structure” and “Transformation of people” for achieving the “Mid-term Management Plan 2025” in the fiscal year ending March 31, 2023.

In terms of “Transformation of structure,” the NEC Group will further advance expedition of decision-making and delegation of authority through structural revisions including organizational simplification and flattening of hierarchies. Regarding “Transformation of people,” the Company will aim to improve its engagement score by working to introduce a personnel system in which human resources suited to the job are hired in the fiscal year ending March 31, 2024 and further working on workstyle reform, promotion of diversity, and health management.

In addition, the NEC Group will promote thought leadership activities under an enhanced system including Institute for International Socio-Economic Studies, the NEC Group’s think tank, to contribute to accelerating the creation of shared sympathies in the future and realizing a vision of the future that should be strived toward.

Through these measures, the NEC Group aims to achieve revenue of 3.5 trillion yen, adjusted operating profit of 300 billion yen (ratio to revenue: 8.6%), adjusted net profit of 185 billion yen (ratio to revenue: 5.3%), and EBITDA of 450 billion yen (ratio to revenue: 12.9%) in the fiscal year ending March 31, 2026.

By achieving the “Mid-term Management Plan 2025” and jointly developing the vision of the future upheld in the “NEC 2030VISION” for achievement of its Purpose, the NEC Group will contribute to the achievement of the Sustainable Development Goals (SDGs) set by the United Nations.

**(7) Changes in the Results of Operations and the Financial Position**

**(i) Changes in the Results of Operations and the Financial Position (Consolidated)**

(IFRS) (In billions of yen except per share figures)

Indices \ Fiscal Year	Fiscal Year ended March 31, 2019 (181st Business Period)	Fiscal Year ended March 31, 2020 (182nd Business Period)	Fiscal Year ended March 31, 2021 (183rd Business Period)	Fiscal Year ended March 31, 2022 (184th Business Period)
Revenue	2,913.4	3,095.2	2,994.0	3,014.1
Operating Profit	57.8	127.6	153.8	132.5
Adjusted operating profit	69.9	145.8	178.2	171.0
Income before income taxes	77.3	124.0	157.8	144.4

Net profit attributable to owners of the parent	39.7	100.0	149.6	141.3
Adjusted net profit attributable to owners of the parent	47.0	111.2	165.4	167.2
Basic earnings per share (yen)	152.75	385.02	557.18	518.54
Adjusted basic earnings per share (yen)	180.80	428.32	615.92	613.79
Total assets	2,963.2	3,123.3	3,668.6	3,761.7
Equity attributable to owners of the parent	858.9	910.7	1,308.2	1,513.5

Notes: 1. “Basic earnings per share” is adopted *International Accounting Standard (IAS) 33 regarding “Earnings per Share”* and calculated based on the weighted-average number of shares outstanding during each period.

2. As the provisional accounting treatment for KMD A/S acquired in the fiscal year ended March 31, 2019 is settled during the fiscal year ended March 31, 2020, the corresponding figures in the fiscal year ended March 31, 2019 have been retrospectively adjusted.

#### (ii) Changes in the Results of Operations and the Financial Position (Non-consolidated)

(In billions of yen except per share figures)

Fiscal Year Indices	Fiscal Year ended March 31, 2019 (181st Business Period)	Fiscal Year ended March 31, 2020 (182nd Business Period)	Fiscal Year ended March 31, 2021 (183rd Business Period)	Fiscal Year ended March 31, 2022 (184th Business Period)
Net sales	1,654.2	1,789.7	1,705.5	1,664.4
Ordinary income	35.6	64.5	66.3	28.5
Net income	21.6	38.8	164.4	82.2
Net income per share (yen)	83.17	149.60	612.27	301.71
Total assets	2,129.9	2,100.2	2,396.1	2,321.7
Net assets	720.6	719.4	928.9	976.3

Notes: “Net income (loss) per share” is calculated based on the weighted-average number of shares outstanding during each period.

#### (8) Parent Company and Principal Subsidiaries

##### (i) Parent Company

The Company has no parent company.

##### (ii) Principal Subsidiaries

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
	(In millions of yen)	(%)	
NEC Platforms, Ltd.	10,332	100	Development, manufacture, sale and maintenance of information and communications systems equipment etc., and provision of systems integration services etc.

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
NEC Fielding, Ltd.	9,670	100	Installation and maintenance of computers and network systems
NEC Solution Innovators, Ltd.	8,669	100	Provision of systems integration services etc., and development of software
ABeam Consulting Ltd.	6,200	100	Business consulting
NEC Networks & System Integration Corporation	13,122	38.4	Design, construction and maintenance of information and communications systems, and sale of related equipment
Japan Aviation Electronics Industry, Limited	10,690	35.2	Manufacture and sale of connectors and electronic devices for avionics and aerospace
	(In U.S. dollars)	(%)	
NEC Corporation of America (U.S.A.)	27	100	Regional representative and supervising operation in North America, sale of computers-related equipment and communications equipment, and provision of systems integration services etc.
	(In thousands of Sterling pound)		
NEC Europe Ltd. (U.K.)	146,507	100	Regional representative and supervising operation in Europe
	(In thousands of Singapore dollars)		
NEC Asia Pacific Pte. Ltd. (Singapore)	80,280	100	Regional representative and supervising operation in Asia, sale of computers-related equipment and communications equipment, and provision of systems integration services etc.
	(In thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	178,000	100	Regional representative and supervising operation in Greater China
	(In thousands of Brazilian real)		
NEC Latin America S.A. (Brazil)	328,282	100	Regional representative and supervising operation in Latin America, sale of communications equipment, and provision of systems integration services etc.
	(In U.S. dollars)		
NetCracker Technology Corporation(U.S.A.)	1	100	Development and sale of software
	(In thousands of euros)		

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
Comet Holding B.V.(Netherlands)	2,058,795	86.3	Pure holding company Its principal subsidiary is Avaloq Group AG, which owns under its umbrella subsidiaries for which the principal business is development of software and provision of IT services.
	(In thousands of Sterling pound)		
Garden Private Holdings Limited(U.K.)	474,520	100	Pure holding company Its principal subsidiary is NEC Software Solutions UK Limited, for which its principal business is development of software and provision of IT services.
	(In thousands of Danish krone)		
Soleil ApS(Denmark)	50	85.2	Pure holding company Its principal subsidiary is KMD A/S, for which its principal business is development of software and provision of IT services.

- Notes:
1. The figure for the Company's shareholding ratio of NEC Networks & System Integration Corporation shown above does not include 19,200,000 (12.9%) shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.
  2. The figure for the Company's shareholding ratio of Japan Aviation Electronics Industry, Limited shown above does not include 13,800,000 (15.0%) shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.
  3. 13.7% out of total number of the shares issued by Comet Holding B.V. held by a shareholder except the Company is non-voting preferred stock, and the Company's voting ratio in Comet Holding B.V. is 100%.
  4. 14.8% out of total number of the shares issued by Soleil ApS held by a shareholder except the Company is non-voting preferred stock, and the Company's voting ratio in Soleil ApS is 100%.

## 2. Matters related to the Company's stock

(1) Total Number of Authorized Shares	750,000,000 shares
(2) Total Number of Shares Issued	272,849,863 shares (including treasury stock of 16,428 shares)
(3) Number of Shareholders	155,118
(4) Major Shareholders (Top 10)	(In thousands of shares)

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	44,841	16.44
Custody Bank of Japan, Ltd. (Trust Account)	17,894	6.56
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	13,023	4.77
Sumitomo Life Insurance Company	5,600	2.05
STATE STREET BANK WEST CLIENT – TREATY 505234	4,979	1.82
NEC Employee Shareholding Association	4,092	1.50
STATE STREET BANK AND TRUST COMPANY 505001	3,794	1.39
Custody Bank of Japan, Ltd. (Trust Account No.4)	3,625	1.33
GOVERNMENT OF NORWAY	3,567	1.31
JP MORGAN CHASE BANK 385781	3,411	1.25

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

**(5) Classification of Shareholders**

Classification of Shareholders	Shareholding Ratio (%)
Japanese government and local governments	0.00
Financial Institutions	31.14
Securities Companies	3.72
Other Companies	6.95
Foreign Investors	38.40
Japanese Individuals and Others	19.79
Total	100

**(6) Stock granted to Directors and Audit & Supervisory Board Members (KANSAYAKU) as compensation for performance of duties during this Business Period**

Details of stock granted to Directors and Audit & Supervisory Board Members (KANSAYAKU) during this Business Period as stock compensation are as follows.

	Number of Shares	Number of people to whom shares granted
Directors (excluding Outside Directors)	17,100	6

**(7) Other important matters related to the Company's stock**

- (i) The Company has introduced a performance-based stock compensation plan for Directors (excluding Outside Directors) in accordance with a resolution of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017, and the plan has been partly amended in accordance with a resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019. And the Company has introduced a fixed stock compensation plan for Directors (excluding Outside Directors) in accordance with a resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.
- (ii) In addition to above (i), the Company has introduced a performance-based stock compensation plan for corporate officers and a part of employees of the Company.

As of March 31, 2022, a total of 376,400 of the Company shares are held in a trust account related to a share settlement trust whose beneficiaries are eligible persons under the plan (including eligible persons under the stock compensation plan above (i)).

**3. Matters related to Directors and Audit & Supervisory Board Members (KANSAYAKU)**

**(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Audit & Supervisory Board Members (KANSAYAKU)**

Name	Position at the Company	Responsibility and Important Concurrent Position
Nobuhiro Endo	Chairman of the Board (Non-Executive Director )	Outside Director, Tokio Marine Holdings, Inc. Outside Director, Sumitomo Dainippon Pharma Co., Ltd. (currently, Sumitomo Pharma Co., Ltd.) Outside Director, Japan Exchange Group, Inc.
Takashi Niino	Vice Chairman of the Board (Representative Director)	Matters relating to corporate management policy/ Important matters relating to the reinforcement of NEC Group's corporate governance
Takayuki Morita	President (Representative Director)	CEO (Chief Executive Officer) Management of the Company's business/ Important matters relating to corporate auditing and export & import trade control
Norihiko Ishiguro	Senior Executive Vice President and Member of the Board	Global business strategy/ Important matters relating to external relations
Hajime Matsukura	Executive Vice President and Member of the Board	CHRO (Chief Human Resources Officer) NEC Group culture transformation, corporate communications, external relations, people and organization development, human resources and general affairs
Motoo Nishihara	Executive Vice President and Member of the Board	CTO (Chief Technology Officer) Global Innovation Director, Japan Aviation Electronics Industry, Limited
Kaoru Seto	Member of the Board	Special Adviser, YAMATO HOLDINGS CO., LTD. Outside Director, RICOH LEASING COMPANY, LTD.
Noriko Iki	Member of the Board	President, Japan Institute for Women's Empowerment & Diversity Management Outside Director, NIPPON STEEL CORPORATION
Masatoshi Ito	Member of the Board	Executive Officer & Chairman of Company, Ajinomoto Co., Inc.
Kuniharu Nakamura	Member of the Board	Chairman of the Board of Directors, SUMITOMO CORPORATION Outside Director, Shin-Etsu Chemical Co., Ltd.
Jun Ohta	Member of the Board	Director President and Group Chief Executive Officer, Sumitomo Mitsui Financial Group, Inc.
Christina Ahmadjian	Member of the Board	Professor, Graduate School of Business Administration, Hitotsubashi University Outside Director, Asahi Group Holdings, Ltd. Outside Director, Sumitomo Electric Industries, Ltd. Outside Director, Japan Exchange Group, Inc.

Name	Position at the Company	Responsibility and Important Concurrent Position
Isamu Kawashima	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Nobuhiro Odake	Audit & Supervisory Board Member (KANSAYAKU) (full-time)	-
Taeko Ishii	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law Outside Audit & Supervisory Board Member (KANSAYAKU), Dai Nippon Printing Co., Ltd Outside Director, Sumitomo Metal Mining Co., Ltd. Outside Audit & Supervisory Board Member (KANSAYAKU), DTS CORPORATION
Nobuo Nakata	Audit & Supervisory Board Member (KANSAYAKU)	Attorney at Law
Masami Nitta	Audit & Supervisory Board Member (KANSAYAKU)	Certified Public Accountant Outside Audit & Supervisory Board Member (KANSAYAKU), Science Arts, Inc.

Notes: 1. At the 183<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 22, 2021, Ms. Christina Ahmadjian was newly elected as Director of the Company.

2. At the 183<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 22, 2021, Mr. Nobuhiro Odake was newly elected as Audit & Supervisory Board Member (KANSAYAKU) of the Company.

3. Messrs. Kaoru Seto, Masatoshi Ito, Kuniharu Nakamura and Jun Ohta and Mss. Noriko Iki and Christina Ahmadjian are Outside Directors.

4. Ms. Taeko Ishii and Messrs. Nobuo Nakata and Masami Nitta are Outside Audit & Supervisory Board Members (KANSAYAKU).

5. The Company has notified Tokyo Stock Exchange, on which the Company lists its shares, of each of Messrs. Kaoru Seto, Masatoshi Ito, Kuniharu Nakamura, Nobuo Nakata and Masami Nitta and Mss. Noriko Iki, Christina Ahmadjian and Taeko Ishii as independent Directors / Audit & Supervisory Board Members (KANSAYAKU).

6. Messrs. Isamu Kawashima and Masami Nitta have considerable expertise in finance and accounting as follows:

Isamu Kawashima Experience as General Manager of Corporate Controller Division, General Manager of Internal Control over Finance Reporting Division, Director responsible for Corporate Controller and Corporate Finance and CFO (Chief Financial Officer)

Masami Nitta Extensive auditing experience as a Certified Public Accountant for many years

7. The name of Audit & Supervisory Board Member (KANSAYAKU) who retired during this Business Period, their position at the time of the retirement and the date and reasons of the retirement are as follows:

Name	Position at the time of retirement	Date of retirement (reason)
Hajime Kinoshita	Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2021 (expiration)

8. On April 1, 2022, the positions, responsibilities and important concurrent position of Directors were changed as follows:

Name	Position after change	Responsibility and Important Concurrent Position after change
Norihiko Ishiguro	Senior Executive Vice President and Member of the Board	External relations and promotion of thought leadership
Hajime Matsukura	Executive Vice President and Member of the Board	CHRO (Chief Human Resources Officer) CLCO (Chief Legal & Compliance Officer) Human resources and general affairs, legal, internal control, internal audit and export & import trade control
Masatoshi Ito	Member of the Board	Executive Officer, Ajinomoto Co., Inc
Christina Ahmadjian	Member of the Board	Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University Outside Director, Asahi Group Holdings, Ltd. Outside Director, Sumitomo Electric Industries, Ltd. Outside Director, Japan Exchange Group, Inc.

## (2) Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)

### ① Company Policy on Remuneration Determination

#### (i) Basic Policy

For the purpose of continuously improving corporate value and strengthening its competitiveness, the Company's basic policy on the remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU) is to set the level and system appropriate for a global company which enables the Company to secure excellent human resources and serves as an incentive to improve performance of the NEC Group.

#### (ii) Determination of Remuneration Amounts of Directors and Calculation Method

##### 1) Remuneration for Directors

Remuneration for Directors of the Company consists of basic remuneration, bonuses and stock compensation (the performance-based stock compensation (the "Performance-based Stock Compensation") and the stock compensation in which stock equivalent to a pre-determined monetary amount is granted (the "Fixed Stock Compensation")). The policy on the remuneration for Directors and remuneration plan for Directors based on such policy are determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Nomination and Compensation Committee, the majority of the members of which are Outside Directors (one of whom is the chairperson).

##### Basic remuneration

Basic remuneration is fixed-monthly payments.

##### <Determination Method>

Basic remunerations are determined according to the positions of Directors and the distinction between Inside Director and Outside Director, to the extent of the maximum amount approved at the General Meeting of Shareholders. However, for some Executive Directors, basic remuneration increases or decreases depending on the performance of these individuals in each fiscal year. The Board of Directors determines for each job title the standard amount of basic remuneration and the range of fluctuations.

##### Bonuses

Bonuses serve as short-term incentives to achieve performance targets in each fiscal year for the sustained growth of the NEC Group. Executive Directors are eligible to receive these bonuses at a certain time every year.

##### <Determination Method>

The limit for total payments of these bonuses is determined by a resolution of the General Meetings

of Shareholders. Individual bonus payments are determined by adjusting the standard bonus amount determined for each job title of Directors to reflect the achievement level of performance targets.

<Links between Remuneration and the NEC Group's Performance>

Bonuses is calculated based on the achievement level of a performance indicators (NEC Group's consolidated revenue, adjusted operating profit and free cash flows) that is regarding the consolidated business results of the NEC Group during the fiscal year and a performance that targets are achieved in the businesses overseen by each Director.

Stock compensation

Stock compensation is granted to Inside Directors and consists of the Performance-based Stock Compensation and the Fixed Stock Compensation.

(a) Performance-based Stock Compensation

The Performance-based Stock Compensation serves as a mid- to long-term incentive to further raise Directors' awareness for contribution to improvement in the Company's mid- and long-term performance and its corporate value, by clarifying the link between remuneration of Directors and the NEC Group's performance as well as value of Company shares.

<Determination Method>

The Performance-based Stock Compensation is linked to a single fiscal year. Following the end of each applicable fiscal year, the number of points granted to a Director is determined according to job title and the level of achievement of performance targets in the fiscal year. In principle, Directors receive a number of shares corresponding to the number of points after three years from the beginning of the applicable fiscal year.

<Links between Remuneration and the NEC Group's Performance>

The Performance-based Stock Compensation is calculated based on the achievement level of a performance indicators (NEC Group's consolidated revenue, adjusted operating profit, and adjusted net profit attributable to owners of the parent) that is considering their importance concerning the NEC Group's mid- to long-term management strategies.

(b) Fixed Stock Compensation

The Fixed Stock Compensation further clarifies the link between remuneration for Directors and the value of Company shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourage Directors to operate the business with a higher consciousness of the Company's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

<Determination Method>

The Fixed Stock Compensation applies to the period beginning on the day of each Ordinary General Meeting of Shareholders and ending on the day of the Ordinary General Meeting of Shareholders in the following year. Following the end of this period, Directors receive points corresponding to monetary amounts that do not exceed the limit established by resolutions of the General Meetings of Shareholders. In principle, Directors receive a number of shares corresponding to the number of points after three years from the beginning of the applicable period.

(c) Certain Restrictions of Stock Compensation Plan

Under the stock compensation plan, there are certain restriction provisions. These enable the Company to take action in cases where compliance breaches or inappropriate accounting treatment (including the submission of amended reports and amendment of past financial statements) have been confirmed. In such cases, after deliberation by the Nomination and Compensation Committee and a resolution by the Board of Directors, the Company may withhold all or part of the rights to receive a grant of the Company's shares prior to the grant of the Company's shares; or after the grant of the Company's shares, the Company may demand the return of all or part of the granted shares of the Company (including an amount of cash equivalent to the Company's shares as liquidated and disposed of paid instead of the Company's shares).

Notes: 1. A certain specific portion of the Company shares will be sold on the stock market and

cash instead of the shares will be paid in consideration of tax payment at the time of granting shares.

2. The Performance-based Stock Compensation is performance-linked remuneration described in Article 34 (1) of Corporation Tax Act, and “the defined amount” described in item (iii) (a) 1 of Article 34 (1) of Corporation Tax Act is up to a total of 200,000,000 yen for applicable fiscal year. However, “the defined amount” of the stock compensation that target period beginning April 1, 2018 is up to a total of 200,000,000 yen for three applicable fiscal year.
3. In order to promote a management improving shareholder value, the Company recommends that Inside Directors purchase the Company shares and keep the shares through the term of office of Directors.

2) Remuneration for Audit & Supervisory Board Members (KANSAYAKU)

Remuneration for Audit & Supervisory Board Members (KANSAYAKU) is only fixed monthly remunerations and do not include bonuses linked to the business results because the responsibility of Audit & Supervisory Board Members (KANSAYAKU) is to audit execution of Directors’ duty.

Basic remuneration

Basic remuneration is fixed-monthly payments.

<Determination Method>

The fixed monthly remunerations are determined depending on whether he or she is a full-time Audit & Supervisory Board Member or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

(iii) Determination Method of Level of Remuneration

In order to ensure objectiveness and properness of the remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU), the level of the remuneration is determined on the result of the third party’s investigation regarding the remunerations of other companies whose business contents and scale are similar to those of the Company.

(iv) Policy on Ratio to Remuneration Amounts of Individual Directors

The following table shows the approximate ratio of each type of remuneration to the amounts of remuneration for individual Directors.

	Basic remuneration [Non-performance-based remuneration]	Bonus (Short-term incentive) [Performance-based remuneration]	Stock Compensation	
			Performance-based Stock Compensation (Mid- to long-term incentive) [Performance-based remuneration]	Fixed Stock Compensation [Non-performance-based remuneration]
Inside Directors (Executive Directors)	50%	30%	15%	5%
Inside Directors (Non-executive Directors)	80%	0%	15%	5%
Outside Directors	100%	0%	0%	0%

Notes: 1. The Ratio of Bonus and Performance-based Stock Compensation is calculated based on before reflecting the achievement performance targets.

2. Performance-based Stock Compensation and Fixed Stock Compensation are defined as Non-monetary compensation.

## ② Amounts of Remuneration for this Business Period

Amounts of remuneration for this Business Period are based on the compensation plan determined by the Board of Directors, and went through deliberation by the Nomination and Compensation Committee. The Board of Directors therefore judges that the amounts are in conformity with the Company Policy on Remuneration as described in ① above.

	Basic Remuneration		Bonus		Performance-based stock compensation		Fixed Stock Compensation	
	Headcount	Total Amount (In millions of yen)	Headcount	Total Amount (In millions of yen)	Headcount	Cost posting relating to the Stock Compensation (In millions of Yen)	Headcount	Cost posting relating to the Stock Compensation (In millions of Yen)
Directors (of which Outside Directors)	12 (6)	456 (91)	5 (-)	131 (-)	6 (-)	100 (-)	6 (-)	34 (-)
Audit & Supervisory Board Members (KANSAY AKU) (of which Outside Audit & Supervisory Board Members (KANSAY AKU))	6 (3)	107 (47)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

- Notes: 1. The above headcount of remuneration includes one Audit & Supervisory Board Member (KANSAYAKU) who retired at the close of the 183rd Ordinary General Meeting of Shareholders held on June 22, 2021
2. The above cost posting relating to Performance-Based Stock Compensation and Fixed Stock Compensation are the value posted during this Business Period.
3. Bonus and Performance-based Stock Compensation are defined as performance-based remuneration. Performance-based Stock Compensation and Fixed Stock Compensation are defined as non-monetary compensation.
4. The maximum annual remuneration for Directors is 1,380,000,000 yen (of which 580,000,000 yen for basic remuneration and 800,000,000 yen for bonus) (approved at the 181st Ordinary General Meeting of Shareholders held on June, 24 2019).
5. The maximum annual remuneration for Audit & Supervisory Board Members (KANSAYAKU) is 144,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019).

## ③ Indicators Used for Performance-based Remuneration, Reason for Selection thereof and Determination Method of the Amount of Performance-based Remuneration

### (i) Bonuses

Bonuses have two components: a component linked to key performance indicators regarding the consolidated business results of the NEC Group during the fiscal year to which the bonus applies (“the

Group-wide Performance-based Component”), and a component linked to the degree to which performance targets are achieved in the businesses overseen by each Director (“the Business-unit Performance-based Component”). The ratio between these two components is as follows for each job title:

Job title	Group-wide Performance-based Component	Business-unit Performance-based Component	
		Fiscal year budget portion	Mid-term plan portion
Chairman of the Board, Vice Chairman of the Board and President	100%	—	—
Senior Executive Vice President and Member of the Board	60%	20%	20%
Executive Vice President and Member of the Board	40%	30%	30%
Senior Vice President and Member of the Board	30%	35%	35%

Note: The “Chairman of the Board” and “Vice Chairman of the Board” above only includes a Chairman of the Board who is also an Executive Director.

Nobuhiro Endo, Chairman of the Board is a Non-Executive Director, and thus is not included in the “Chairman of the Board” above.

Indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component, reason for selection thereof and method for determining the amount of bonuses are as follows:

1) Indicators for the Group-wide Performance-based Component and Reason for Selection

The performance indicators for this component are the NEC Group’s consolidated revenue, adjusted operating profit and free cash flows in the applicable fiscal year. These indicators were selected taking account of their importance concerning the NEC Group’s management strategies and suitability in determining the achievement level of performance targets.

2) Indicators for the Business-unit Performance-based Component and Reason for Selection

The performance indicators for this component are budget indicators and mid-term plan indicators.

Budget indicators are consolidated revenue, adjusted operating profit, free cash flows, etc. in the applicable fiscal year in the business units overseen by each Director. These indicators were selected because they allow the appropriate evaluation of the achievement level of performance targets for each fiscal year in individual business units overseen by relevant Directors.

Mid-term plan indicators are used to evaluate activities for accomplishing the goals set in the Mid-term Management Plan. The indicators are fiscal year performance targets set for individual Directors based on a discussion between each Director and the President, and the President evaluates their achievement level by interviewing the Director. To ensure that evaluations are done properly, evaluation results are reported to the Nomination and Compensation Committee.

(\*)For Directors who oversee operations other than business units, indicators for the Business-unit Performance-based Component are the NEC Group’s consolidated revenue, adjusted operating profit, free cash flows, etc.

3) Determination Method of Bonus Amounts

The Nomination and Compensation Committee discusses reports concerning results of evaluations using indicators for the Group-wide Performance-based Component and the Business-unit Performance-based Component and the bonus amounts which are calculated using the following formula. Then, based on the results of these discussions, the Board of Directors determines an aggregate bonus payment for all Directors eligible to receive a bonus.

The amount of each bonus is set between 0% and 200% of the standard amount determined for each job title, based on the achievement level of performance targets.

<Calculation formula>

“Group-wide Performance-based Component (“Standard amount for job title” x “Group-wide performance-based component ratio (Note 1)” x “Group-wide performance-based payment rate (Note 2)”)” + “Business-unit Performance-based Component (“Standard amount for job title” x “Business-unit performance-based component ratio (Note 3)” x “Business-unit performance-based payment rate (Note 4)”)”

- Notes: 1. The ratio of the Group-wide Performance-based Component in the preceding section (i).  
 2. Calculated using the indicators for the Group-wide Performance-based Component in the preceding section 1).  
 3. The ratio of the Business-unit Performance-based Component in the preceding section (i).  
 4. Calculated using the indicators for the Business-unit Performance-based Component in the preceding section 2).

(ii) Performance-based Stock Compensation

Indicators for the Performance-based Stock Compensation, reason for selection thereof and method for determining the amount of the Performance-based Stock Compensation are as follows:

1) Indicators and Reason for Selection

Indicators for Performance-based Stock Compensation are the NEC Group’s consolidated revenue, adjusted operating profit and adjusted net profit attributable to owners of the parent in the applicable fiscal year. The indicators were selected by considering their importance concerning the NEC Group’s mid- to long-term management strategies as well as for reinforcing the commitment and activities of Directors to contribute to maximizing corporate value from a mid- to long-term perspective and giving back to shareholders.

2) Determination Method of Compensation Amount

Performance-based Stock Compensation is calculated by using the following formula.

The number of shares granted for the compensation is set between 0% and 100% of the standard number of shares determined for job title, based on the achievement level of performance targets.

<Calculation formula>

“Number of granting shares based on the applicable Directors’ job titles (Note 1)” x “Performance-based allotment rate (Note 2)”

- Notes: 1. “the standard amount of stock compensation on the applicable Directors’ job titles (\*)” / “average value of closing price of the Company shares on the Tokyo Stock Exchange in the fiscal year immediately preceding the applicable fiscal year”

(\*) The basic remuneration of each Director is multiplied by the factor determined for each title. However, for some Executive Directors, the standard amount of basic remuneration of each Executive Director is multiplied by the factor determined for each title.

2. “the level of the achievement of consolidated revenue in the applicable fiscal year” x 30% + “the level of the achievement of adjusted operating profit in the applicable fiscal year” x 40% + “the level of the achievement of adjusted net profit attributable to owners of the parent in the applicable fiscal year” x 30%

**④ Targets and results of indicators used for performance-based remuneration for this Business Period**

(i) Bonuses

Targets and results of indicators used for bonuses as Group-wide Performance-based Component for this Business Period are as follows:

Indicators (Consolidated basis)	Targets	Results	Target achievement rates	Ratio to Group-wide Performance-based Component
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Revenue	3,000.0 billion yen	3,014.1 billion yen	100.5%	30%
Adjusted operating profit	155.0 billion yen	171.0 billion yen	110.3%	40%
Free cash flows	130.0 billion yen	84.1 billion yen	64.7%	30%

Notes: 1. Results shown above are rounded to the nearest 100 million yen, and the achievement rate of the target is calculated using the actual results before rounding to the nearest 100 million yen, and then rounded to the first decimal point.

2. Bonus payment for the President was determined by adjusting the standard bonus amount to reflect the achievement rate of indicators for the Group-wide Performance-based Component. Bonus payments for other Executive Directors were determined by adjusting the standard bonus amount to reflect the achievement rate of indicators for the Group-wide Performance-based Component and the achievement rate of indicators for the Business-unit Performance-based Component.

(ii) Performance-based Stock Compensation

Under the Performance-based Stock Compensation with the fiscal year ended March 31, 2022 as the target period, the Company shares will be granted in July 2024. Targets and results of indicators for the Performance-based Stock Compensation are as follows:

Indicators (Consolidated basis)	Targets	Results	Target achievement rates	Ratio to Group-wide Performance-based Component
Revenue	3,000.0 billion yen	3,014.1 billion yen	100.5%	30%
Adjusted operating profit	155.0 billion yen	171.0 billion yen	110.3%	40%
Adjusted net profit	90.0 billion yen	167.2 billion yen	185.8%	30%

Note: Results shown above are rounded to the nearest 100 million yen, and the achievement rate of the target is calculated using the actual results before rounding to the nearest 100 million yen, and then rounded to the first decimal point.

⑤ **Outline of non-monetary compensation**

Performance-based Stock Compensation and Fixed Stock Compensation are granted as non-monetary compensation. The purpose of the introduction and details thereof are as described in 1 above. Stock compensation granted during this Business Period was granted as Performance-based Stock Compensation for the period of three fiscal years from the fiscal year ended March 31, 2019, introduced by resolution of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017. The circumstances of the granting thereof are as described in “2. Matters related to the Company’s stock (6) Stock granted to Directors and Audit & Supervisory Board Members (KANSAYAKU) as compensation for performance of duties during this Business Period.”

⑥ **Resolution of Ordinary General Meeting of Shareholders related to remuneration for Directors and**

### **Audit & Supervisory Board Members (KANSAYAKU)**

#### **(i) Resolution of General Meeting of Shareholders related to basic remuneration and bonuses**

A resolution of General Meeting of Shareholders related to the basic remuneration and bonuses for Directors and Audit & Supervisory Board Members (KANSAYAKU) was approved on June 24, 2019. The contents of the resolution and the number of Directors and Audit & Supervisory Board Members (KANSAYAKU) approved by the resolution are as follows:

- The maximum remuneration for Directors was revised from a monthly basis to an annual basis, and was set at 1,380,000 thousand yen per year (of which 580,000 thousand yen for basic remuneration and 800,000 thousand yen for bonus), and it was determined to pay bonuses in addition to basic remuneration for Directors within said maximum amount. The number of Directors eligible for said system at the closing of said General Meeting of Shareholders was 11 (of which 5 were Outside Directors).

The number of Directors eligible for said system at the closing of the 183rd Ordinary General Meeting of Shareholders held on June 22, 2021 was 12 (of which 6 were Outside Directors).

- The maximum remuneration for Audit & Supervisory Board Members (KANSAYAKU) was revised from a monthly basis to an annual basis, and was set at 144,000 thousand yen per year. The number of Audit & Supervisory Board Members (KANSAYAKU) eligible for said system at the closing of said General Meeting of Shareholders was 5 (of which 3 were Outside Audit & Supervisory Board Members (KANSAYAKU)).

The number of Audit & Supervisory Board Members (KANSAYAKU) eligible for said system at the closing of the 183rd Ordinary General Meeting of Shareholders held on June 22, 2021 was 5 (of which 3 were Outside Audit & Supervisory Board Members (KANSAYAKU)).

#### **(ii) Resolution of General Meeting of Shareholders related to stock compensation**

A resolution of General Meeting of Shareholders related to stock compensation for Directors was approved on June 24, 2019. The contents of the resolution and the number of Directors approved by the resolution are as follows:

- At the 181st Ordinary General Meeting of Shareholders held on June 24, 2019, it was resolved to partly amend a performance-based stock compensation plan for Inside Directors which was introduced based on resolution of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017. The number of Directors eligible for said plan at the closing of said General Meeting of Shareholders was 6.

The number of Directors eligible for said plan at the closing of the 183rd Ordinary General Meeting of Shareholders held on June 22, 2021 was 6.

- At the 181st Ordinary General Meeting of Shareholders held on June 24, 2019, it was resolved to introduce the Fixed Stock Compensation Plan for Inside Directors. The number of Directors eligible for said plan at the closing of said General Meeting of Shareholders was 6.

The number of Directors eligible for said plan at the closing of the 183rd Ordinary General Meeting of Shareholders held on June 22, 2021 was 6.

- Notes:
1. The performance-based stock compensation plan introduced in accordance with a resolution of the 179th Ordinary General Meeting of Shareholders held on June 22, 2017 has a target period of three fiscal years that corresponds to a mid-term management plan period. The maximum sum to be contributed by the Company to the Trust was 0.2 billion yen for the Target Period, and the maximum number of the Company shares to be granted from the Trust to Inside Directors was 88,000 shares for the Target Period.
  2. The performance-based stock compensation plan amended in accordance with a resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019 had a target period of a single fiscal year beginning on or after April 1, 2019. The maximum sum to be contributed by the Company to the Trust is 0.2 billion yen for the Target Period, and the

maximum number of the Company shares to be granted from the Trust to Inside Directors is 88,000 shares for the Target Period.

3. The Fixed Stock Compensation Plan introduced in accordance with a resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019 has a target period from the date of the Ordinary General Meeting of Shareholders to the date of the following Ordinary General Meeting of Shareholders. The maximum sum to be contributed by the Company to the Trust is 60,000 thousand yen for the Target Period, and the maximum number of the Company shares to be granted from the Trust to Inside Directors is 20,000 shares for the Target Period.

**(3) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU)**

Name	Major Activities
Kaoru Seto	The Company expects Mr. Kaoru Seto to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, risk management, sustainability (including ESG) and marketing. He attended all of the 14 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling his role expected by the Company.
Noriko Iki	The Company expects Ms. Noriko Iki to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as diversity, corporate management, global business, risk management and sustainability (including ESG). She attended all of the 14 meetings of the Board of Directors held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling her role expected by the Company.
Masatoshi Ito	The Company expects Mr. Masatoshi Ito to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, risk management, sustainability (including ESG) and marketing. He attended all of the 14 meetings of the Board of Directors of the Company and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling his role expected by the Company.
Kuniharu Nakamura	The Company expects Mr. Kuniharu Nakamura to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, risk management, sustainability (including ESG) and marketing. He attended all of the 14 meetings of the Board of Directors of the Company and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling his role expected by the Company.

Name	Major Activities
Jun Ohta	The Company expects Mr. Jun Ohta to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, technology, global business, financial and accounting (including investment), risk management, sustainability (including ESG) and marketing. After the assumption of office as Director of the Company, he attended all of the 14 meetings of the Board of Directors and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling his role expected by the Company.
Christin Ahmadjian	The Company expects Ms. Christina Ahmadjian to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as diversity, global business, risk management and sustainability (including ESG). After the assumption of office as Director of the Company, she attended all of the 11 meetings of the Board of Directors and made remarks, including questions and opinions as appropriate mainly based on the experience and insight relating to these areas, thereby fulfilling her role expected by the Company.
Taeko Ishii	She attended all of the 14 meetings of the Board of Directors, and all of the 15 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience deep insight as an attorney at law in the fields of personal affairs, labor and others.
Nobuo Nakata	He attended 13 meetings of the 14 meetings of the Board of Directors, and all of the 15 meetings of the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience deep insight as an attorney at law in the fields of corporate law.
Masami Nitta	After the assumption of office as Audit & Supervisory Board Member (KANSAYAKU), he attended 13 meetings of the 14 meetings of the Board of Directors, and all of the 15 meetings the Audit & Supervisory Board (KANSAYAKU-KAI), both held during this Business Period and made remarks, including questions and opinions as appropriate mainly based on extensive experience and deep insight as a financial and accounting expert.

**(4) Outline of agreements entered into with Outside Directors and Outside Audit & Supervisory Board Members (KANSAYAKU) to limit their liabilities as stipulated in Article 427(1) of the Companies Act**

Pursuant to Articles 24 and 31 of the Articles of Incorporation of the Company, the Company entered into agreements with Messrs. Kaoru Seto, Masatoshi Ito, Kuniharu Nakamura and Jun Ohta and Mss. Noriko Iki and Christina Ahmadjian, who are Outside Directors, Ms. Taeko Ishii and Messrs. Nobuo Nakata and Masami Nitta who are Outside Audit & Supervisory Board Members (KANSAYAKU), to limit their liabilities as stipulated in Article 427(1) of the Companies Act. The outline of such agreements is to limit their liabilities as stipulated in Article 423 (1) of the Companies Act to the higher of 20 million yen or the amount provided in the Companies Act and the Regulation for Enforcement of the Companies Act on the condition that they perform their duties as Directors or Audit & Supervisory Board Members (KANSAYAKU) in good faith and without gross negligence.

**(5) Outline of D&O Liability Insurance Contract**

The Company has entered into a D&O (directors, corporate auditors and officers) liability insurance contract as stipulated in Article 430-3 (1) of the Companies Act with an insurance company. Those insured by the insurance contract are Directors, Audit & Supervisory Board Members (KANSAYAKU) and Senior Vice

Presidents of the Company and its subsidiaries as well as persons who are executives or employees of the Company or subsidiaries in a position of Director etc. of a company other than the Company or its subsidiaries by direction of the Company or its subsidiaries. The insurance contract will reimburse the payment for the legal damages and defense costs of the insured arising from any claim(s) made against the insured for their performance in their respective capacities and damages incurred by the company arising from said company's compensation (company compensation) of damages incurred by the insured arising from any claim(s) made against the insured.

**4. Policy on the determination of distribution of surplus dividends**

The Company's commitment to shareholder returns includes comprehensive consideration for the profit status of each period in addition to future capital requirements and the execution of business operations with an emphasis on capital efficiency, while regarding investment in growth areas and the enhancement of its financial base as being tied to the creation of long-term corporate value.

For the fiscal year ended March 31, 2022, mainly considering that the operating profit, which is the profit of the main business, achieve the target set at the beginning of the fiscal year, the Company declared an annual dividend of 100 yen per share of common stock (interim dividend of 50 yen per share), the same value as announced at the beginning of the fiscal year.

In addition, the Company stipulates in its Articles of Incorporation that it may determine distribution of surplus dividends flexibly through resolutions of the Board of Directors, and that record dates of distribution of surplus dividends shall be March 31 and September 30 of each year.

Disclosure on the Company's website (<https://jpn.nec.com/ir>)

**Principal Offices of the NEC Group, etc.**

Head Office	Minato-ku, Tokyo
Branch Divisions	Hokkaido Branch Division (Sapporo) Tohoku Branch Division (Sendai) Kanto-Koshinetsu Branch Division (Saitama) Kanagawa Branch Division (Yokohama) Tokai Branch Division (Nagoya) Hokuriku Branch Division (Kanazawa) Kansai Branch Division (Osaka) Chugoku Branch Division (Hiroshima) Shikoku Branch Division (Takamatsu) Kyushu Branch Division (Fukuoka)
Plants	Tamagawa Plant (Kawasaki) Fuchu Plant (Fuchu, Tokyo) Sagamihara Plant (Sagamihara) Abiko Plant (Abiko)
Domestic Manufacturing Center	Japan Aviation Electronics Industry, Limited (Akishima, etc.) NEC Network and Sensor Systems, Ltd. (Hidaka, etc.) NEC Platforms, Ltd. (Kofu, etc.) OCC Corporation (Kitakyushu, etc.)
Overseas Subsidiaries	NEC Corporation of America (U.S.A.) NEC Europe Ltd. (U.K.) NEC Asia Pacific Pte. Ltd. (Singapore) NEC (China) Co., Ltd. (People's Republic of China) NEC Latin America S.A. (Brazil)

**Employees**

**(i) Employees of the NEC Group**

Segment	Number of Employees
Public Solutions	6,990
Public Infrastructure	18,695
Enterprise	6,774
Network Services	10,403
Global	26,561
Others	47,995
Total	117,418

**(ii) Employees of the Company**

Number of Employees	Increase (Decrease) from March 31, 2021	Average Age	Average Years of Employment
21,350	674	43.6	18.5

Note: From this Business Period, these figures include the number of employees who will retire on the final day of this Business Period.

**Major Borrowings**

(In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	60,524
MUFG Bank, Ltd.	30,841

Sumitomo Mitsui Trust Bank, Limited	22,832
Mizuho Bank, Ltd.	21,879
Development Bank of Japan Inc.	21,086

### Accounting Auditors

(1) **Name of the Accounting Auditors** KPMG AZSA LLC

(2) **The Amount of Compensation to the Accounting Auditors**

Classification	Amount (In millions of yen)
(i) The total fees paid to the Accounting Auditors by the Company as compensation for their duties under the Companies Act	569
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,189

Notes: 1. The fees set forth in column (i) above include the fees for audit under the Financial Instruments and Exchange Law and other laws because there are no separate provisions in the audit contract with the Accounting Auditors between the fees for audit under the Companies Act and the fees for audit under the Financial Instruments and Exchange Law and other laws, and it is impracticable to distinguish between these two types of fees.

2. The Audit & Supervisory Board (KANSAYAKU-KAI) has received necessary information and reports from CFO (Chief Financial Officer), relevant divisions and the Accounting Auditors. In addition, the Audit & Supervisory Board (KANSAYAKU-KAI) has evaluated the adequacy of the audit plans, the calculation basis of the estimated fees for audit and other conditions including the audit result of the Accounting Auditors for the previous fiscal year. As a result, the Audit & Supervisory Board (KANSAYAKU-KAI) has made the agreement stipulated in Article 399(1) of the Companies Act regarding the remuneration to the Accounting Auditors.

3. Of the Company's subsidiaries listed in "1.(8)(ii) Principal Subsidiaries" above, those subject to audit by certified public accountants or audit firm other than the Accounting Auditors are as follows:

Name of Subsidiary	Audit Firm
Japan Aviation Electronics Industry, Limited	Ernst & Young ShinNihon LLC
NEC Corporation of America	KPMG LLP
NEC Europe Ltd.	KPMG LLP
NEC Asia Pacific Pte. Ltd.	KPMG LLP
NEC (China) Co., Ltd.	KPMG Huazhen
NEC Latin America S.A.	KPMG Auditores Independentes
NetCracker Technology Corporation	KPMG LLP
Garden Private Holdings Limited	KPMG LLP
Soleil ApS	KPMG P/S

(3) **Non-audit services rendered by the Accounting Auditors**

In addition to the work stipulated in Article 2(1) of the Certified Public Accountants Law, during this Business Period, the Company engaged the Accounting Auditors for services in relation to the "Audit Procedures regarding Control Risk of Subcontracted Services" and other advisory services.

(4) **Company Policy regarding dismissal or decision not to reappoint the Accounting Auditors**

If the Accounting Auditors are found to correspond to any of the items of Article 340(1) of the Companies Act, the Audit & Supervisory Board (KANSAYAKU-KAI) shall be entitled to dismiss the Accounting Auditors subject to the consent of all Audit & Supervisory Board Members (KANSAYAKU), in which case the Audit & Supervisory Board Member (KANSAYAKU) appointed by the Audit & Supervisory Board (KANSAYAKU-KAI) reports on the fact that said Accounting Auditors have been dismissed and the

reason for dismissal, at the first shareholders meeting held after such dismissal. The Audit & Supervisory Board (KANSAYAKU-KAI) will determine the contents of a proposal for a dismissal or disapproval of the reappointment of the Accounting Auditors to be submitted to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner and the Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors, or the Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors in order to improve properness or efficiency of the audit by the Accounting Auditors.

## **System and Policy of the Company**

### **(1) System to ensure the properness of operations and outline of the status of the implementation of such system**

#### **(System to ensure the properness of operations)**

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in item(vi) of Article 362(4) of the Companies Act adopted by resolution of the Board of Directors (the "Policy"). English translation of the Policy is provided through the Company's website (<https://www.nec.com/en/global/about/internalcontrol.html>), and the summary of which is described below.

The Company shall endeavor to establish and implement its internal control system more effectively, through continuous evaluation of the status of the establishment and implementation of its internal control system under the Policy as well as taking measures necessary for its improvement, and conducting consistent reviews of the Policy responding to changes in the business environment.

(i) In order to ensure the compliance with the laws, regulations and the Company's Articles of Incorporation in the performance of duties by Directors, corporate officers and employees, Directors and corporate officers shall take the lead in practicing NEC Group Code of Conduct that was adopted to establish business ethics standards for the NEC Group and to ensure compliance with laws, regulations, the Articles of Incorporation and its internal rules, and promote thorough understanding on the code within the NEC Group. If any material violation of laws, regulations, the Articles of Incorporation or internal rules is found, the Company shall investigate the cause of such violation and formulate and implement preventative measures. In addition, the Company shall prompt the use of the Company's internal reporting system, the "Compliance Hotline."

(ii) The Company shall properly retain and manage information in accordance with applicable laws, regulations and the Company's internal rules.

(iii) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company's internal rules. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall support such business divisions' activities. The Company shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Board of Directors.

(iv) In order to ensure the efficient performance of duties by Directors, the Board of Directors shall delegate its significant authorities to corporate officers and promote timely decision-making and effective performance of duties. Corporate officers shall, under the direction of the Board of Directors, efficiently conduct businesses in accordance with midterm corporate management goals and budgets.

(v) In order to ensure the proper operation of the NEC Group, the Company shall, through NEC Group Management Policy, give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in the NEC Group, the Company shall dispatch directors and

audit & supervisory board members (KANSAYAKU) where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that it shall properly conduct risk controls. The internal auditing division shall conduct audits of the NEC Group's proper operations, directly or through cooperation with internal auditing sections of subsidiaries if they have such sections. The Audit & Supervisory Board Members (KANSAYAKU) of the Company shall cooperate with audit & supervisory board members (KANSAYAKU) of the subsidiaries by exchanging their opinions on the audit and other measures.

(vi) From the perspective of proper and efficient operations of the NEC Group, the Company shall endeavor to conduct improvement and standardization of business processes, and further strengthen its internal control by utilizing information systems.

(vii) Internal control over financial reporting of the NEC Group shall be evaluated, maintained and improved in accordance with applicable laws and regulations.

(viii) The Company shall assign full-time employees to assist Audit & Supervisory Board Members (KANSAYAKU) in performing their duties. Matters regarding such employees, including performance review, personnel change and disciplinary action, shall be approved by Audit & Supervisory Board Members (KANSAYAKU).

(ix) Directors, corporate officers and employees shall report to Audit & Supervisory Board Members (KANSAYAKU) on the status of the performance of their duties. In addition, the Company shall give instructions to the directors, audit & supervisory board members (KANSAYAKU), corporate officers and employees of the subsidiaries so that they shall report to Audit & Supervisory Board Members (KANSAYAKU) of the Company on the status of the performance of their duties.

(x) In order to ensure the effective audit, meetings of the Audit & Supervisory Board (KANSAYAKU-KAI) shall be held and Audit & Supervisory Board Members (KANSAYAKU) shall exchange information and consult with each other on the status of audits. Furthermore, Audit & Supervisory Board Members (KANSAYAKU) shall periodically receive reports on financial audit from the Accounting Auditors and exchange opinions with them.

**(Outline of the status of the implementation of system to ensure the properness of operations)**

The Company assessed the status of the establishment and implementation of its internal control system for this Business Period and confirmed that it has established and implemented its internal control system properly based on the Policy. In the process of doing so, the Company has exchanged opinions with Audit & Supervisory Board Members (KANSAYAKU) regarding the status of establishment and implementation of the internal control system. The main initiatives conducted in this Business Period are as follows:

With regard to compliance, on "NEC Compliance Day" (established as a day for reconfirming the importance of compliance for all NEC Group employees in 2017 as a result of having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in Japan in fiscal year ended March 31, 2017), the management of the Company, general managers of business divisions and Presidents of the Company's consolidated subsidiaries in Japan and abroad provided messages to reinforce the importance of ethics in economic activities and to ensure compliance across the board. In addition to this, a video was distributed to pass down the remembrance of the impact caused to the NEC Group to serve as a reminder of the lesson that the NEC Group learned from the violation and further raise awareness among employees of the compliance mindset. The Company also distributed a video introducing the "Compliance Hotline," with the objective of further encouraging early detection and resolution of misconduct through the "Compliance Hotline" internal reporting system and hold compliance study groups on topics including

competition law, bribery, accounting fraud, and dishonest calculation of labor hours. NEC Group reconfirmed the importance of compliance through these measures on NEC Compliance Day. On that day, having lectures by the Company's President and an outside attorney who is well-versed in corporate compliance, the Company also awarded business divisions and overseas consolidated subsidiaries that had made remarkable efforts to promote compliance. Compliance Promotion Sessions were regularly held to strengthen compliance promotion activities at the NEC Group. At the Sessions, information was shared with principal consolidated subsidiaries in Japan on matters such as the status of the Company's compliance activities and the Priority Risks to be Addressed (risks that require new measures including improvement of existing measures to be addressed across the NEC Group, from the perspective of the magnitude of the impact on corporate business and the need for additional measures) in the next Business Period. In addition, opinions were exchanged to strengthen compliance activities by the NEC Group as a whole. Web-based training programs related to compliance, which are held annually, were also conducted in this Business Period, in which all employees of the Company declared that they would ensure compliance and actions that should be taken to make compliance embedded in the culture of the NEC Group. In addition, in this Business Period, the Company trained new employees regarding the "Purpose" and "Principles" demonstrating conduct as a NEC Group company and the "Code of Values" and "Code of Conduct" demonstrating the values and conduct of each NEC Director, corporate officer and employee in order to deepen understanding of the NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself, and enable them to be aware of ensuring compliance. The Company formulated "the Compliance Hotline Rules" to enable early detection and resolving of misconducts through promoting consulting and reporting (internal reporting) to the "Compliance Hotline," an internal reporting system. The Rules help enhance the system to protect those who made reports or cooperated with investigations. The number of reports to the "Compliance Hotline" reached 62 during this Business Period. The internal auditing division or other relevant divisions in the Company investigated these internal reports and took necessary measures in response, depending on the details of reports. The Company also encouraged employees of overseas consolidated subsidiaries to use an internal reporting system if they knew of any misconduct in which their company's management participated. The "Global Hotline" was established in April 2021 as a reporting service independent of the management of overseas consolidated subsidiaries to enable early detection and resolving of misconduct by such management, and the Company is working to expand the scope of companies eligible to use the service.

With regard to risk management, the Risk Control and Compliance Committee and the Executive Committee deliberated on and selected two issues, namely, "risk management systems in response to changes in risks" and "risks in obeying the law regarding new technology and new fields," as the Priority Risks to be Addressed in this Business Period. After formulating and implementing countermeasures, the results were reported to the Board of Directors. As part of the initiative on "risk management systems in response to changes in risks," the Company used existing meetings and systems in this Business Period to raise awareness of risk control across the Company as well as contribute to maximizing revenue opportunities and minimizing potential loss. In addition, the Company adjusted the system that comprehensively manages risks to create an exhaustively compiled list of risks of which the NEC Group should be aware, assessed the risks from the perspective of urgency and their impact on the NEC Group, and prepared a risk map visualizing the priority of each risk. Based on the risk map, and as a result of deliberation by the Risk Control and Compliance Committee and the Executive Committee, the NEC Group selected "risks of human rights violation in the value chain" as the Priority Risks to be Addressed in the next Business Period and reported this to the Board of Directors. As an initiative on "risks in obeying the law regarding new technology and new fields," in addition to visualizing risks related to new technology and new fields in this Business Period, the NEC Group listed laws that would potentially be applicable and available consultation opportunities, and disseminated this information within the Company. In addition, the Company has in place a system where compliance violations are reported to the Risk Control and Compliance Committee upon occurrence. The outline of compliance violations is reported to the Board of Directors meeting held in the same month, and thereby information is quickly shared with the Board of Directors. The Company has in place a system where General Managers of business divisions take ownership and devise and implement appropriate measures according to the division's compliance risk characteristics. The Compliance Division periodically confirms compliance risks selected by General Managers of business

divisions, annual improvement plans as well as the progress and results thereof, and provides support to their efforts as necessary.

With regard to group management, the Company makes efforts to integrate a framework for the management of its subsidiaries for total optimization of group companies and maximization of the value of group companies based on the NEC Group Management Policy, which sets out the NEC Group's group management. As part of this approach, chief officers in charge of key cross-group functions promote the establishment of a framework to manage the performance of duties at overseas subsidiaries within their authority so that the NEC Group's common policies, business processes, and infrastructure can be introduced immediately to overseas subsidiaries.

With regard to audits by Audit & Supervisory Board Members (KANSAYAKU), Audit & Supervisory Board Members (KANSAYAKU) receive reports on the status of the execution of duties from Directors, corporate officers and employees of the Company and its subsidiaries. In addition, Audit & Supervisory Board Members (KANSAYAKU) also periodically receive reports from the internal auditing division regarding the status of operation of the "Compliance Hotline," and the internal reporting systems at subsidiaries, as well as the status of internal audits. Furthermore, Audit & Supervisory Board Members (KANSAYAKU) periodically receive reports on financial audits from the Accounting Auditors and exchange opinions with them. They also strive to maintain close links with the Accounting Auditors and the internal auditing division by periodically holding meetings with them. Furthermore, in order to enhance the internal reporting system, a KANSAYAKU hotline independent of the Directors of the Company was established and began operation in January 2022 as a service that enables direct reporting of misconduct relating to the Company's Directors to the Audit & Supervisory Board Members (KANSAYAKU).

## **(2) Policy on the Control over the Company**

The Company believes that the ultimate decision as to the person who should control the financial and business policy of the Company shall be made by the shareholders of the Company. However, in the event that a person or entity (the "Proposer") proposes to purchase the substantial number of the shares of the Company with an intent to control the Company or proposes the takeover of the Company, the Company believes it is the responsibilities of the Board of Directors (i) to request the Proposer to provide appropriate information on the reasonableness of the consideration and other conditions of the proposal and the influence such action may have on the management policy and business plan of the Company, (ii) to evaluate the information provided and consider whether such proposal has merit in promoting the corporate value of the Company and the common interest of the shareholders, and (iii) to express the opinion of the Company for purposes of assisting the shareholders to make decisions whether or not to accept the proposal. In addition, the Company believes that, in the particular circumstances, it may be required to negotiate with the Proposer or to present alternative proposals to the shareholders.

Currently, the Company has not adopted a policy of defensive measures that will become effective when a proposal is made by a Proposer. It is the Company's intention, however, that if (i) the sufficient information is not provided by the Proposer, (ii) the shareholders are not afforded the time sufficient to consider the proposal or (iii) the Company decides that the proposal would have an adverse effect on the corporate value of the Company or the common interest of the shareholders, the Company will decide and implement reasonable countermeasures that are practicable at the time of the proposal and acceptable to the shareholders.

## Consolidated Statement of Financial Position

(As of March 31, 2022)

JPY (millions)

Account	Amount
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	430,778
Trade and other receivables	722,334
Contract assets	285,890
Inventories	246,244
Other financial assets	17,554
Other current assets	133,890
<b>Total current assets</b>	<b>1,836,690</b>
<b>Non-current assets</b>	
Property, plant and equipment, net	540,257
Goodwill	335,978
Intangible assets, net	374,703
Investments accounted for using the equity method	76,470
Other financial assets	236,544
Deferred tax assets	153,313
Other non-current assets	207,778
<b>Total non-current assets</b>	<b>1,925,043</b>
<b>Total assets</b>	<b>3,761,733</b>

JPY (millions)

Account	Amount
<b>Liabilities and equity</b>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Trade and other payables	446,788
Contract liabilities	266,158
Bonds and borrowings	186,774
Accruals	232,257
Lease liabilities	49,462
Other financial liabilities	21,397
Accrued income taxes	17,403
Provisions	62,077
Other current liabilities	51,667
<b>Total current liabilities</b>	<b>1,333,983</b>
<b>Non-current liabilities</b>	
Bonds and borrowings	257,899
Lease liabilities	103,241
Other financial liabilities	26,937
Net defined benefit liabilities	179,599
Provisions	18,910
Other non-current liabilities	54,522
<b>Total non-current liabilities</b>	<b>641,108</b>
<b>Total liabilities</b>	<b>1,975,091</b>
<b>Equity</b>	
Share capital	427,831
Share premium	169,090
Retained earnings	678,653
Treasury shares	(1,906)
Other components of equity	239,835
<b>Total equity attributable to owners of the parent</b>	<b>1,513,503</b>
Non-controlling interests	273,139
<b>Total equity</b>	<b>1,786,642</b>
<b>Total liabilities and equity</b>	<b>3,761,733</b>

**Consolidated Statement of Profit or Loss**

(For the fiscal year ended March 31, 2022)

JPY (millions)

Account	Amount
Revenue	3,014,095
Cost of sales	2,127,682
<b>Gross profit</b>	<b>886,413</b>
Selling, general and administrative expenses	762,970
Other operating income	9,082
<b>Operating Profit</b>	<b>132,525</b>
Finance income	17,894
Finance costs	11,367
Share of profit of entities accounted for using the equity method	5,384
<b>Profit before income taxes</b>	<b>144,436</b>
Income taxes	(12,267)
<b>Net profit</b>	<b>156,703</b>
<b>Net profit attributable to</b>	
Owners of the parent	141,277
Non-controlling interests	15,426
<b>Total</b>	<b>156,703</b>
<b>Earnings per share attributable to owners of the parent</b>	
Basic earnings per share (JPY)	518.54
Diluted earnings per share (JPY)	518.54

### Consolidated Statement of Changes in Equity

(For the fiscal year ended March 31, 2022)

JPY (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
<b>As of April 1, 2021</b>	<b>427,831</b>	<b>168,965</b>	<b>564,660</b>	<b>(1,578)</b>	<b>148,273</b>	<b>1,308,151</b>	<b>253,675</b>	<b>1,561,826</b>
Net profit	-	-	141,277	-	-	141,277	15,426	156,703
Other comprehensive income	-	-	-	-	91,562	91,562	9,851	101,413
<b>Comprehensive income</b>	-	-	141,277	-	91,562	232,839	25,277	258,116
Purchase of treasury shares	-	-	-	(570)	-	(570)	-	(570)
Disposal of treasury shares	-	1	-	242	-	243	-	243
Cash dividends	-	-	(27,284)	-	-	(27,284)	(6,097)	(33,381)
Changes in interests in subsidiaries	-	124	-	-	-	124	284	408
<b>Total transactions with owners</b>	-	125	(27,284)	(328)	-	(27,487)	(5,813)	(33,300)
<b>As of March 31, 2022</b>	<b>427,831</b>	<b>169,090</b>	<b>678,653</b>	<b>(1,906)</b>	<b>239,835</b>	<b>1,513,503</b>	<b>273,139</b>	<b>1,786,642</b>

<Reference>

**Consolidated Statement of Other Comprehensive Income (Unaudited)**

(For the fiscal year ended March 31, 2022)

JPY (millions)

Account	Amount
<b>Net profit</b>	<b>156,703</b>
<b>Other comprehensive income, net of tax</b>	
<b>Items that will not be reclassified to profit or loss</b>	
Equity instruments designated as measured at fair value through other comprehensive income	15,607
Remeasurements of defined benefit plans	27,193
Share of other comprehensive income of entities accounted for using the equity method	31
Total items that will not be reclassified to profit or loss	42,831
<b>Items that may be reclassified subsequently to profit or loss</b>	
Exchange differences on translating foreign operations	59,081
Cash flow hedges	(1,660)
Share of other comprehensive income of entities accounted for using the equity method	1,161
Total items that may be reclassified subsequently to profit or loss	58,582
<b>Total other comprehensive income, net of tax</b>	<b>101,413</b>
<b>Total comprehensive income</b>	<b>258,116</b>
<b>Total comprehensive income attributable to</b>	
Owners of the parent	232,839
Non-controlling interests	25,277
<b>Total</b>	<b>258,116</b>

<Reference>

**Consolidated Statement of Cash Flows (Unaudited)**

(For the fiscal year ended March 31, 2022)

JPY (millions)

Account	Amount
<b>Cash flows from operating activities</b>	
Profit before income taxes	144,436
Depreciation and amortization	180,539
Impairment loss	985
Increase in provisions	3,420
Finance income	(17,894)
Finance costs	11,367
Share of profit of entities accounted for using the equity method	(5,384)
Decrease in trade and other receivables	25,469
(Increase) in contract assets	(5,946)
(Increase) in inventories	(58,848)
(Decrease) in trade and other payables	(27,434)
(Decrease) in contract liabilities	(1,775)
Others, net	(58,824)
Subtotal	190,111
Interest and dividends received	5,876
Interest paid	(8,508)
Income taxes paid	(39,962)
<b>Net cash provided by operating activities</b>	<b>147,517</b>
<b>Cash flows from investing activities</b>	
Purchases of property, plant and equipment	(56,949)
Proceeds from sales of property, plant and equipment	15,373
Acquisitions of intangible assets	(14,157)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(11,679)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	18,443
Purchases of shares of newly consolidated subsidiaries	(12,214)
Proceeds from sales of shares of subsidiaries	5,078
Disbursement for sales of shares of subsidiaries	(92)
Purchases of investments in associates or joint ventures	(137)
Proceeds from sales of investments in associates or joint ventures	2,197
Others, net	(9,240)
<b>Net cash (used in) investing activities</b>	<b>(63,377)</b>

JPY (millions)	
Account	Amount
<b>Cash flows from financing activities</b>	
Increase in short-term borrowings, net	38,696
Proceeds from long-term borrowings	382
Repayments of long-term borrowings	(137,650)
Payments of lease liabilities	(57,283)
Dividends paid	(27,259)
Dividends paid to non-controlling interests	(6,093)
Proceeds from disposal of treasury shares	243
Others, net	(652)
<b>Net cash (used in) financing activities</b>	<b>(189,616)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>12,909</b>
<b>(Decrease) in cash and cash equivalents</b>	<b>(92,567)</b>
<b>Cash and cash equivalents, at the beginning of the year</b>	<b>523,345</b>
<b>Cash and cash equivalents, at the end of the year</b>	<b>430,778</b>

## Notes to Consolidated Financial Statements

### I Notes to Significant Items for Presenting Consolidated Financial Statements

1. NEC Corporation (“the Company”) prepares its consolidated financial statements in accordance with the provisions of the second sentence of Article 120-1 of the Ordinance on Company Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards (“IFRS”).

#### 2. Scope of consolidation

Number of consolidated subsidiaries      289 companies

Major consolidated subsidiaries

NEC Platforms, Ltd, NEC Fielding, Ltd., NEC Solution Innovators, Ltd., ABeam Consulting Ltd., NEC Networks & System Integration Corp., Japan Aviation Electronics Industry, Ltd., NEC Corporation of America, NEC Europe Ltd., NEC Asia Pacific Pte. Ltd., NEC (China) Co., Ltd., NEC Latin America S.A., Netcracker Technology Corporation, Comet Holding B.V., Garden Private Holdings Limited, and Soleil ApS.

Change in the scope of consolidation includes additions of 6 and exclusions of 18 subsidiaries. Significant changes were as follows:

Consolidated subsidiaries included in the consolidation scope as a result of acquisitions and incorporation:

6 subsidiaries

Consolidated subsidiaries excluded from the consolidation scope as a result of sales and liquidation:

8 subsidiaries

Consolidated subsidiaries excluded from the consolidation scope as a result of merger:

10 subsidiaries

#### 3. Items related to application of equity method

(1) Number of companies accounted for using the equity method

Number of affiliated companies accounted for using the equity method      57 companies

Major companies

Lenovo NEC Holdings, B.V., NEC Capital Solutions Limited.

1 affiliated company was newly accounted for using the equity method.

2 affiliated companies were excluded from the affiliated companies accounted for using the equity method.

(2) There are no non-consolidated subsidiaries or affiliated companies to which the equity method is not applied.

#### 4. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

Classification of financial assets

The NEC Group classifies non-derivative financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through

profit or loss. In principle, financial assets are classified into the categories on the basis of the business model for managing financial assets and the contractual cash flow characteristics of financial assets.

(i) Non-derivative financial assets

Financial assets measured at amortized cost

Financial assets held by the NEC Group are measured at amortized cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at their transaction price.

After initial recognition, the carrying amounts of financial assets measured at amortized cost are recognized using the effective interest method less impairment loss. Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period.

Equity instruments designated as measured at fair value through other comprehensive income

The NEC Group has in principle elected to present subsequent changes in fair value of certain equity instruments in other comprehensive income except for those in the form of venture capital investments.

These equity instruments are initially measured at fair value, plus any directly attributable transaction costs and measured at fair value in subsequent periods. Changes in fair value are included in other comprehensive income and never reclassifies to profit or loss and the NEC Group never reclassifies accumulated other comprehensive income to retained earnings subsequently. Dividends from equity instruments designated as measured at fair value through other comprehensive income are recognized as finance income in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost or equity instruments designated as measured at fair value through other comprehensive income are classified as financial instruments measured at fair value through profit or loss.

These financial assets are measured at fair value after initial recognition, and changes in their fair value are recognized in profit or loss. Gains and losses on financial instruments measured at fair value through profit or loss are recognized in profit or loss.

(ii) Derivative Financial Instruments

The NEC Group holds derivative financial instruments, such as forward exchange contracts, interest rate swaps, and currency options, to hedge foreign currency exposure and interest rate exposures. Derivatives are measured at fair value at the inception and subsequent periods.

Derivatives that are not designated as hedging instruments

For derivatives that are not designated as hedging instruments, any changes in the fair value of the derivative are recognized in profit or loss.

## Derivatives that are designated as hedging instruments

### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives is recognized in other comprehensive income and any ineffective portion of changes in the fair value is immediately recognized in profit or loss. The amount accumulated in other components of equity is reclassified to profit or loss in the same period during which the cash flows of the hedged item affect profit or loss. Hedge accounting is discontinued prospectively when the hedging instrument expires, is sold, terminated, exercised, when no longer meets the criteria for hedge accounting, a forecast transaction is no longer highly probable, or the designation is revoked. In addition, the NEC Group has selected the option to continue to apply hedge accounting of International Accounting Standards ("IAS") 39.

### Impairment of financial assets

As for impairments on financial assets measured at amortized costs, the NEC Group recognizes allowances for expected credit losses by assessing whether the credit risk on the financial assets has increased significantly at each reporting date since initial recognition.

Allowances are measured based on the estimated credit loss arising from the possible defaults during the 12 months after the reporting date (12-month expected credit loss) when the credit risk associated with the financial assets has not significantly increased since initial recognition. When the credit risk associated with the financial assets has significantly increased since initial recognition or the financial assets are credit-impaired, an allowance for expected credit loss is calculated based on the estimated credit loss arising from all possible defaults over the estimated remaining period of the financial instruments (life-time expected credit loss). Notwithstanding the above, an allowance for expected credit loss on trade receivables and contract assets is always calculated based on the estimated credit loss over the entire period.

Significant increase in credit risk is determined based on changes in risks of a default occurring and the changes in such risks are determined considering significant financial difficulty, breach of contract, or increase in probability where the borrower will enter bankruptcy or other financial reorganization. Changes in allowances are recognized in profit and loss.

## (b) Non-financial assets

### (i) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories that are interchangeable is determined principally by using the first-in first-out method or the periodic average method, whereas the cost of inventories of items that are not interchangeable is determined by using the specific identification of their individual cost.

Cost of inventories comprises all costs of purchase, costs of production, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Costs of finished goods and work in process include an allocation of production overheads that are based on the normal capacity of the production facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (ii) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenses directly attributable to acquisition of the asset, costs of dismantling and removing the assets, costs of restoring the site, and borrowing costs to be capitalized. When significant components of property, plant and

equipment have different useful lives, they are accounted for as separate items (by major components) of property, plant and equipment. Gains or losses on disposals of property, plant and equipment are recognized in profit or loss.

(iii) Intangible Assets

Goodwill

An asset representing the future economic benefits arising together with other assets through the acquisition of a subsidiary that are not individually identifiable is recognized as Goodwill. Goodwill is not amortized, but is tested for impairment at least annually or more frequently whenever there is any indication of impairment for a cash-generating unit (“CGU”) to which goodwill is allocated. The NEC Group initially measures goodwill at the acquisition date as the excess of the aggregate of consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity, less the net recognized amount of the identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase gain.

Software and Other Intangible Assets

Development expenditures on software for sale and software for internal use are recognized as intangible assets, if all of the following criteria of capitalization are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other intangible assets, such as patents and licenses, are recognized at cost when acquired. Intangible assets acquired in business combinations and recognized separately from goodwill, including acquired capitalized development costs, are recognized at fair value at the acquisition date.

Amortization methods, useful lives, and residual values of intangible assets with definite useful lives are reviewed at the end of each reporting period and revised as necessary.

(iv) Impairment of Non-financial Assets

Non-financial assets other than inventories, deferred tax assets, assets held for sale, assets arising from employee benefits and contract assets and assets recognized from costs to obtain a contract with a customer are assessed for indications of impairment at the end of each reporting period. This assessment is performed for an asset or a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount. The recoverable amount is determined for an individual asset, or a CGU when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The NEC Group's corporate assets do not generate independent cash inflows. If there is any indication that corporate assets may be impaired, the recoverable amount is estimated for the CGU to which the corporate assets belong. Corporate assets are assets other than goodwill that contribute to the future cash flows of both the CGU to which the corporate assets belong and other CGUs, and include land or buildings held by administrative departments.

The recoverable amount is the higher of the fair value of an asset or a CGU, less costs of disposal and its value in use. Value in use is calculated as the present value of the estimated future cash flows associated with the asset or CGU. In assessing value in use, the estimated future cash flows are estimated by using the growth rate which is determined by considering the status of the respective country and industry that the CGU belongs, and are discounted to the present value using a pre-tax discount rate, which reflects current market assessments of the time value of money and any risks specific to the asset or the CGU.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at the same time each year for the level of a CGU to which goodwill and intangible assets with indefinite lives have been allocated, and they are also tested for impairment whenever there is any indication of impairment.

(2) Depreciation method for assets

(a) Property, Plant and Equipment

Depreciation is recognized in profit or loss mainly on a straight-line basis over the estimated useful lives as described below.

Useful lives of major property, plant and equipment are as follows:

Buildings and structures	7-60 years
Machinery and equipment	2-22 years
Tools, furniture and fixtures	2-20 years

The right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

(b) Intangible Assets

Software for sale is amortized based on the expected sales volume over the expected effective period (mainly one to nine years) unless such the amortization method does not reflect the pattern of consumption of the expected future benefits from the asset. In such cases, software for sales is amortized on a straight-line basis over the remaining useful life.

Software for internal use is amortized on a straight-line basis over the estimated useful lives (mainly three to five years).

Other intangible assets are amortized from the date when the asset is available for use over the estimated useful lives, such as a contract period, using the method that reflects the pattern of consumption of the future economic benefits by

the NEC Group.

(3) Recognition criteria for provisions

Provisions are recognized when the NEC Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations.

(4) Revenue recognition criteria for revenue and obligation

In accordance with IFRS 15, the following five-step approach is applied to recognize revenue, except for interest and dividend income within the scope of IFRS 9 and lease payments within the scope of IFRS 16.

Step 1: Identify the contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation in the contract

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

The NEC Group recognizes revenue from contracts with customers for contracts for hardware and packaged software deployments, for services to customers and for system integrations and equipment constructions. The NEC Group identifies distinct promised goods or services (i.e., performance obligations) within these contracts and accounts for revenue in accordance with their performance obligations.

Related to of contracts for hardware and packaged software deployments, the NEC Group recognizes revenue on Hardware requiring significant services, including installation, is in principle recognized upon the customer's acceptance. Revenue on standard Hardware is recognized in principle upon delivery, where the control of the Hardware is transferred to the customer.

Related to contracts for services to customers and system integrations and equipment constructions, the NEC Group recognizes revenue when or as the NEC Group satisfies a performance obligation over time. If the progress toward complete satisfaction of the performance obligation can be reasonably measured, revenue from a service is recognized by measuring the progress. If the progress cannot be reasonably measured, revenue from a service is recognized only to the extent of the costs incurred if the NEC Group expects to recover the costs until such time that the outcome of the performance obligation can be reasonably measured.

Revenue on ongoing service contracts is recognized by measuring the progress based on the period of services already provided over the entire service period. Where outsourcing services are charged on a per unit basis, such as data usage, revenue is recognized when the service is provided. Where services are charged on a time period basis, revenue is recognized evenly over the period of the service contract. For maintenance, in principle revenue is recognized over the period in which the services are provided; however, where the contracts are charged on a time basis, revenue is recognized on a time and materials basis.

(5) Leases

At inception of a contract, the NEC Group assesses whether the contract is, or contains, a lease. The NEC Group determines a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In addition, the NEC Group elected not to recognize right-of-use assets and

lease liabilities for either short-term leases with a lease term of 12 months or less or leases for which the underlying assets are of low value. The NEC Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over their lease term.

As a lessee

At the commencement date of a lease, the NEC Group recognizes right-of-use assets that represent the right to use an underlying asset and a lease liability that represents its obligation to make lease payments. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if it is readily determinable, or otherwise, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the NEC Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the NEC Group is reasonably certain not to terminate the lease early.

The lease liability is subsequently measured at amortized cost using the effective interest method, and is remeasured under certain circumstances, such as when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the NEC Group's estimate of the amount expected to be payable under a residual value guarantee, or if the NEC Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The vast majority of the building lease contracts contain extension options exercisable at the discretion of the NEC Group, and only lease payments for the duration of the lease term that is a period covered by the options which the NEC Group is reasonably certain to exercise are included in measuring the lease liability.

The right-of-use assets are initially measured at the initial measurement amount of the lease liabilities adjusted for any prepaid lease payments before the commencement date and certain other items, and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful lives of the underlying assets are determined on the same basis as those of property, plant and equipment. In addition, after the commencement date, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of the lease liability. The right-of-use assets are presented as part of property, plant, and equipment, net.

(6) Other significant principles for the preparation of consolidated financial statements

(a) Defined Benefit Plans

The NEC Group's defined benefit plans consist of defined benefit pension plans and lump-sum severance payment plans. For defined benefit plans, the present value of defined benefit obligations, less the fair value of plan assets is recognized as either liability or asset. Defined benefit obligations are measured separately for each plan by discounting estimated amount of future benefits employees have earned in return for their services in the current and prior periods to its present value. The discount rate is the yield at the reporting date on high-quality corporate bonds that is consistent with the currency and estimated terms of the NEC Group's post-employment benefit obligations.

Remeasurement of net defined benefit plans is recognized in full as other comprehensive income and not reclassified

to retained earnings in subsequent periods.

(b) Accounting for consumption taxes

Consumption taxes are excluded from each transaction amount and accounted for separately.

(c) Application of consolidated corporate-tax return system

The Company files its tax return under the consolidated corporate-tax return system.

## II Notes to change in presentation

The NEC Group changed the Notes to Consolidated Financial Statements in presentation for the consolidated fiscal year ended March 31, 2022.

“Notes to revenue recognition” is presented in accordance with the Article 115-2 of the Regulation on Corporate Accounting due to the adoption of the promulgation of the Ministerial Ordinance Partially Revising the Regulation on Corporate Accounting (Ministry of Justice Order No. 45, 2020) from the consolidated fiscal year ended March 31, 2022.

“Notes to Financial Instruments” is presented in accordance with the Article 109-1-3 of the Regulation on Corporate Accounting due to adoption of the promulgation of the Ministerial Ordinance Partially Revising the Regulation on Corporate Accounting (Ministry of Justice Order No. 27, 2020) from the consolidated fiscal year ended March 31, 2022.

## III Notes to Accounting Estimates

Accounting estimates generate reasonable amounts based on information available at the time of preparation of consolidated financial statements. The following amounts based on accounting estimates recorded in the consolidated financial statements for the consolidated fiscal year ended March 31, 2022 involve the risk that may have significant impact on the consolidated financial statements for the consolidated fiscal year ending March 31, 2023:

1. Assessment for recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year ended March 31, 2022

Deferred tax assets of 153,313 million JPY are recorded in the consolidated statement of financial position for the consolidated fiscal year ended March 31, 2022

(2) Other information that contributes to the understanding of financial statements users about the contents of accounting estimates

A deferred tax asset is recognized for the carryforward of unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.

The recoverability of those deferred tax assets was determined based on the estimated future taxable income, including the timing of elimination of temporary differences. The underlying future earnings projections were based on management’s estimates that are highly uncertain due to significant management judgments on certain assumptions related to external factors, such as its future profitability considering demand forecasts for the domestic markets that reflected, among others, growing investments in IT infrastructures including those for DX (digital transformation) and the impact of shortages in the supply of components.

These assumptions are subject to uncertainty due to market conditions and other environmental deterioration, and if the estimates of future taxable income are less than forecasted, the amount of recoverable deferred tax assets may be reduced.

## 2. Other accounting estimates

The details of accounting estimates other than the assessment for recoverability of deferred tax assets are described as below:

- (1) Fair Value of Financial Instruments
  - (VI Notes: Financial Instruments)
- (2) Recoverable Amount in Impairment Test of Non-financial Assets
  - (4. Significant accounting policies (1) Valuation standards and methods for asset)
- (3) Actuarial Assumptions of Post-retirement Benefits
  - (4. Significant accounting policies
  - (6) Other significant principles for the preparation of consolidated financial statements)
- (4) Recognition and Measurement of Provisions
  - (4. Significant accounting policies (1) Valuation standards and methods for assets)
- (5) Revenue Recognition
  - (4. Significant accounting policies (4) Revenue recognition criteria for revenue and obligation)
- (6) Identification of Lease and Determination of Lease Term
  - (4. Significant accounting policies (5) Leases )

#### IV Notes to Consolidated Statement of Financial Position

1. Assets measured at net of provision for impairment of trade and other receivables

The amount of provision for impairment recognized as a deduction from the gross carrying amount of trade and other receivables consisted of the following:

	JPY (millions)
Items	Amount
Current assets	5,200
Non-current assets	2,971
Total	8,171

2. Accumulated depreciation of property, plant and equipment is as follows:

	JPY (millions)
Items	Amount
Accumulated depreciation of property, plant and equipment	1,041,993

## V Notes to Consolidated Statement of Changes in Equity

### 1. Stocks issued

Ordinary shares 272,849,863 shares

### 2. Dividends

#### (1) Payment of dividends

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
May 12, 2021 Board of Directors	Ordinary shares	13,642	50	March 31, 2021	June 1, 2021

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
October 29, 2021 Board of Directors	Ordinary shares	13,642	50	September 30, 2021	December 1, 2021

(2) Dividend for which the record date is in the fiscal year ended March 31, 2022, and the effective date is in the following fiscal year

The Company proposed and resolved the matter of payment of dividends for ordinary shares at the extraordinary meeting of the Board of Directors held on May 12, 2022.

(a) Resource of dividends	Retained earnings
(b) Total dividends	13,642 million yen
(c) Dividends per share	50 yen
(d) Record date	March 31, 2022
(e) Effective date	June 1, 2022

## VI Notes to Financial Instruments

### 1. Summary of financial instruments

#### (1) Capital management

The NEC Group focuses on the business operation for emphasizing capital efficiency, invests to growth sectors, and enhances capital base to create long-term corporate value of the NEC Group. The NEC Group manages net debt-equity ratio for enhancing capital base.

#### (2) Financial risk management

The NEC Group operates its business in various countries and jurisdictions, and as such, it has exposure to credit risk, liquidity risk, and market risk (mainly represented by interest rate risk and currency risk). The NEC Group conducts appropriate risk management activities to minimize the effect of these financial risks on its financial position and performance.

##### a. Credit risk

Credit risk is a risk of financial loss to the NEC Group if a customer or a counterparty to a financial instrument fails to meet its obligations and arises principally from the NEC Group's receivables from customers and investments in debt securities.

The NEC Group is monitoring the financial position and past due balances of customers in order to minimize the risk of default resulting from deterioration of customers' financial position. Further, if necessary, preventative measures are taken by holding collateral or through other means.

Financial institutions with high credit capabilities are selected as counterparties while dealing in derivative transactions, deposit transactions, and the purchase of financial assets for short-term investments in order to reduce the counterparty risk.

The maximum exposure to credit risk, without taking into account of any collateral held at the end of the reporting period, is represented by the total amount of financial guarantee and carrying amount of the financial instruments which is exposed to credit risk in the consolidated statement of financial position.

##### Credit risk exposure relating to trade and other receivables and contract assets

The trade and other receivables are mainly from Japanese customers. An allowance for expected credit losses for trade and other receivables and contract assets is measured at an amount equal to the lifetime expected credit losses. The assets are grouped by each asset with similar characteristics of credit risks and expected credit losses are calculated based on historical default rates, concerning the current conditions and future economic environment. Expected credit losses for credit-impaired financial assets are calculated by each asset.

The NEC Group determines whether credit risk of financial assets has increased significantly since initial recognition by considering reasonable and supportable information. This information includes past information, external ratings, past due information, as well as forward-looking information.

The NEC Group determines that credit risk has increased significantly since initial recognition when, for example, a borrower falls under any of the following conditions:

- The external rating of the borrower is deemed ineligible for investment.
- The delinquency period exceeds 30 days.

The NEC Group defines that a default has occurred when a borrower falls under any of the following conditions:

- It is judged that there is almost no possibility that the borrower pays obligations to the NEC Group without executing the security interest.
- The delinquency period exceeds 90 days.

The NEC Group determines that a financial asset has been credit impaired when any of the following situations is confirmed:

- Significant financial difficulty of the issuer or borrower.
- A breach of contract, such as a default or past due event.
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

b. Liquidity risk

Liquidity risk is the risk that the NEC Group encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The NEC Group's approach of managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when they are due.

The NEC Group periodically updates forecasts of its future cash flows aiming to maintain the level of its cash and cash equivalents and the unused balance of commitment line of credit at an amount in excess of expected cash outflows on financial liabilities required for conducting its business.

c. Market risk

(i) Interest rate risk

Interest bearing debts with floating interest rates, including long-term borrowings, are exposed to interest rate risk. The NEC Group may use interest rate swaps as hedges of the variability in cash flows attributable to interest-rate risk.

(ii) Foreign currency risk

The NEC Group operates its business globally, and is exposed to the risk of fluctuation in foreign exchange rates. The NEC Group mitigates foreign currency risk exposures to an extent possible by offsetting trade receivables and payables denominated in the same foreign currencies and conducting hedge transactions mainly on the remaining net exposures and net forecast transaction exposures using forward exchange contracts.

(iii) Equity price risk

The NEC Group holds listed equity instruments of parties with which the NEC Group has a business relationship, and therefore, is exposed to the risk of fluctuation in prices of equity instruments. The equity instruments are held for if the NEC Group determines that it will contribute to the increase of the mid- to long-term corporate value of the NEC Group after comprehensive consideration of its management strategy, the relationships with business partners and other circumstances.

## 2. Fair value of financial assets and liabilities

### Fair value of financial assets and liabilities

JPY (millions)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Bonds	179,719	180,202
Long-term borrowings	133,171	133,192

Regarding the fair value hierarchy of assets and liabilities presented in the table above, bonds are categorized as Level 2 and long-term borrowings are categorized as Level 3. The financial instruments whose fair value is determined to be close or equal to the carrying amount are excluded from the chart above. The financial instruments regularly measured at fair value, but equal to the carrying amount are also excluded from the chart above.

#### Basis of the fair value measurement for financial instruments

For cash and cash equivalents, trade and other receivables, trade and other payables, and accruals, the fair value is determined as equal or close to the carrying amount since they are to be settled in a short term.

The fair value of loans is measured by discounting estimated future cash flows to the present value based on an interest rate that takes into account the remaining period to the maturity date and credit risk.

Of equity instruments designated as measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, the fair value of listed equity instruments is determined using a quoted market price at an exchange.

For derivative assets and liabilities, the fair value of forward exchange contracts is calculated based on the quoted forward exchange rates at the end of the fiscal year, while the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the interest rate at the end of the reporting period.

The fair values of short-term borrowings and long-term borrowings (current portion) are determined as the carrying amount, as the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. The fair value of long-term borrowings (excluding the current portion) is calculated as the present value of the estimated future cash flows, based on the expected interest rate at which a similar new borrowing was made.

The fair value of bonds is determined based on the quoted market price in a non-active market.

### 3. Fair value hierarchy

Hierarchy and classification used for the fair value measurement for financial assets and liabilities measured at fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices classified into Level 1 that are observable for the financial asset or liability, either directly or indirectly

Level 3: Unobservable inputs that are not based on observable market data

	JPY (millions)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	-	4,752	23,348	28,100
Equity instruments designated as measured at fair value through other comprehensive income	59,606	-	111,531	171,137
Financial liabilities measured at fair value through profit or loss	-	7,784	-	7,784

The NEC Group designates long-term stock holdings for the purpose of maintaining and strengthening relationship with its business partners and expanding its revenue base as equity instruments measured at fair value through other comprehensive income. Financial assets classified into Level 3 mainly consist of unquoted equity instruments. The fair value of significant unquoted equity instruments is measured by using comparable company valuation multiples and other appropriate valuation techniques. Fair value measurements of financial assets and liabilities classified into Level 3 are reviewed and approved by the personnel responsible in the accounting department based on relating internal regulations.

## VII Notes to Revenue Recognition

### 1. Disaggregation of revenue

Revenue consists of the following three categories: “Contracts for hardware and packaged software deployments”, “Contracts for services to customers (including maintenance and outsourcing)”, and “Contracts for system integrations and equipment constructions”. The revenue in three categories for the fiscal years ended March 31, 2022 are 915,629 million JPY, 1,141,367 million JPY, and 957,099 million JPY, respectively.

### 2. Basic information for understanding revenue recognition

Basic information for understanding revenue recognition is described in “Notes Regarding Significant Accounting Policies, Revenue recognition criteria for revenue and obligation.”

### 3. Information for understanding the revenue amounts in the fiscal year and subsequent fiscal years

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2022, is 1,724,542 million JPY. The figure includes the estimated revenue recognition amount for more than one year. The figure does not include the remaining performance obligations that have original expected durations of one year or less.

## VIII Notes to Per Share Data

Equity attributable to owners of the parent per share	5,555.04 JPY
Basic earnings per share	518.54 JPY
Diluted earnings per share	518.54 JPY

**BALANCE SHEET**  
**(Non-consolidated: Japanese GAAP)**  
(As of March 31, 2022)

JPY (millions)

Account	Amount
Assets	
<b><u>Current assets</u></b>	<b>1,002,572</b>
Cash and deposits	78,267
Notes receivable-trade	4,123
Accounts receivable-trade	360,512
Contract assets	201,492
Lease investment assets	9,213
Short-term investment securities	55,000
Merchandise and finished goods	38,138
Work in process	31,813
Raw materials and supplies	15,252
Advance payments-trade	55,222
Prepaid expenses	23,103
Accounts receivable-other	100,363
Other	30,077
Allowance for doubtful accounts	(2)
<b><u>Non-current assets</u></b>	<b>1,319,107</b>
<b>Property, plant and equipment</b>	<b>236,715</b>
Buildings, net	137,811
Structures, net	3,671
Machinery and equipment, net	8,379
Vehicles, net	301
Tools, furniture and fixtures, net	42,884
Land	35,664
Construction in progress	8,005
<b>Intangible assets</b>	<b>64,850</b>
Patent right	917
Right of using facilities	128
Software	63,624
Other	181
<b>Investments and other assets</b>	<b>1,017,542</b>
Investment securities	102,073
Stocks of subsidiaries and affiliates	778,621
Investments in capital	197
Long-term loans receivable	51
Long-term loans receivable from subsidiaries and affiliates	4,498
Deferred tax assets	55,355
Prepaid pension cost	38,969
Other	42,578
Allowance for doubtful accounts	(4,799)
<b>Total assets</b>	<b>2,321,679</b>

JPY (millions)

Account	Amount
<b>Liabilities</b>	
<b><u>Current liabilities</u></b>	<b>1,061,174</b>
Accounts payable-trade	407,188
Commercial papers	30,000
Current portion of long-term borrowings	41,500
Current portion of bonds payable	55,000
Lease obligations	398
Accounts payable-other	41,967
Accrued expenses	68,208
Income taxes payable	93
Contract liabilities	154,322
Deposits received	205,382
Provision for product warranties	7,527
Provision for directors' bonuses	131
Provision for loss on construction contracts and others	13,776
Provision for contingent loss	21,449
Other	14,233
<b><u>Non-current liabilities</u></b>	<b>284,245</b>
Bonds payable	125,000
Long-term loans payable	122,000
Lease obligations	704
Provision for retirement benefits	417
Provision for product warranties	1,036
Provision for loss on guarantees	11,044
Provision for contingent loss	1,430
Asset retirement obligations	9,224
Other	13,390
<b>Total liabilities</b>	<b>1,345,419</b>
<b>Net Assets</b>	
<b><u>Shareholders' equity</u></b>	<b>956,293</b>
<b>Capital stock</b>	<b>427,831</b>
<b>Capital surplus</b>	<b>136,662</b>
Legal capital surplus	89,892
Other capital surplus	46,771
<b>Retained earnings</b>	<b>393,691</b>
Legal retained earnings	15,514
Other retained earnings	378,177
Retained earnings brought forward	378,177
<b>Treasury stock</b>	<b>(1,891)</b>
<b><u>Valuation and translation adjustments</u></b>	<b>19,966</b>
<b>Valuation difference on available-for-sale securities</b>	<b>23,050</b>
<b>Deferred gains or losses on hedges</b>	<b>(3,084)</b>
<b>Total net assets</b>	<b>976,260</b>
<b>Total liabilities and net assets</b>	<b>2,321,679</b>

**STATEMENT OF OPERATIONS**  
(Non-consolidated: Japanese GAAP)  
(For the fiscal year ended March 31, 2022)

JPY (millions)

Account	Amount
Net sales	1,664,434
Cost of sales	1,244,593
<b>Gross profit</b>	<b>419,841</b>
Selling, general and administrative expenses	413,383
<b>Operating income</b>	<b>6,458</b>
<b>Non-operating income</b>	<b>32,940</b>
Interest income	258
Dividends income	28,436
Other	4,246
<b>Non-operating expenses</b>	<b>10,937</b>
Interest expenses	2,855
Loss on disposal of non-current assets	2,013
Settlement package and compensation for damage	1,983
Foreign exchange losses	224
Other	3,861
<b>Ordinary income</b>	<b>28,461</b>
<b>Extraordinary income</b>	<b>32,440</b>
Gain on sale of non-current assets	11,888
Gain on sale of investment securities	10,839
Gain on sales of subsidiaries and affiliates' stocks	5,083
Reversal of provision for loss on guarantees	3,225
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	1,405
<b>Extraordinary loss</b>	<b>9,463</b>
Loss on sale of shares of subsidiaries and associates	6,948
Loss on valuation of stocks of subsidiaries and affiliates	931
Loss on valuation of investment securities	926
Impairment loss	419
Provision for loss on guarantees	102
Provision of allowance for doubtful accounts for subsidiaries and associates	89
Loss on sale of non-current assets	41
Loss on sale of investment securities	7
<b>Income before income taxes</b>	<b>51,438</b>
<b>Income taxes</b>	<b>(30,762)</b>
Income taxes – current	(15,561)
Income taxes – deferred	(15,201)
<b>Net income</b>	<b>82,200</b>

**STATEMENT OF CHANGES IN NET ASSETS**

(Non-consolidated: Japanese GAAP)

(For the fiscal year ended March 31, 2022)

JPY (Millions)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
					Retained earnings brought forward		
Balance at the beginning of current period	427,831	89,892	46,770	136,662	12,786	325,990	338,775
Changes of items during the period							
Dividends from surplus						(27,284)	(27,284)
Provision of legal retained earnings					2,728	(2,728)	—
Net income						82,200	82,200
Purchase of treasury stock							
Disposal of treasury stock			1	1			
Total changes of items other than shareholders' equity							
Total changes of items during the period	—	—	1	1	2,728	52,188	54,916
Balance at the end of current period	427,831	89,892	46,771	136,662	15,514	378,177	393,691

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(1,563)	901,705	28,626	(1,469)	27,157	928,862
Changes of items during the period						
Dividends from surplus		(27,284)				(27,284)
Provision of legal retained earnings						—
Net income		82,200				82,200
Purchase of treasury stock	(570)	(570)				(570)
Disposal of treasury stock	242	243				243
Total changes of items other than shareholders' equity			(5,576)	(1,615)	(7,191)	(7,191)
Total changes of items during the period	(328)	54,589	(5,576)	(1,615)	(7,191)	47,398
Balance at the end of current period	(1,891)	956,293	23,050	(3,084)	19,966	976,260

## **Independent Auditor's Report**

May 10, 2022

To the Board of Directors of NEC Corporation:

KPMG AZSA LLC  
Tokyo Office, Japan

Hideaki Koyama (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tsutomu Ogawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Hasegawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the consolidated financial statements, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Changes in Equity and the related notes of NEC Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the second sentence of Article 120-1 of the Ordinance on Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to

the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that allows the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## **Independent Auditor's Report**

May 10, 2022

To the Board of Directors of NEC Corporation:

KPMG AZSA LLC  
Tokyo Office, Japan

Hideaki Koyama (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tsutomu Ogawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Hasegawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the financial statements, which comprise the BALANCE SHEET, the STATEMENT OF OPERATIONS, the STATEMENT OF CHANGES IN NET ASSETS and the related notes, and the supplementary schedules (“the financial statements and the supplementary schedules”) of NEC Corporation (“the Company”) as at March 31, 2022 and for the 184th year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the supplementary schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## REPORT OF THE AUDIT & SUPERVISORY BOARD (KANSAYAKU-KAI)

With respect to the performance of duties by the Directors for the 184th business period from April 1, 2021 to March 31, 2022, the Audit & Supervisory Board (KANSAYAKU-KAI) has prepared this audit report through deliberation based on the audit reports prepared by the respective Audit & Supervisory Board Members (KANSAYAKU) and hereby reports, as follows:

### 1. Audit method by Audit & Supervisory Board Members (KANSAYAKU) and the Audit & Supervisory Board (KANSAYAKU-KAI) and details thereof

- (1) The Audit & Supervisory Board (KANSAYAKU-KAI) has determined, among other things, the auditing policies and auditing plans, received reports regarding the status of conduct of audit and its results from each Audit & Supervisory Board Member (KANSAYAKU), received reports from Directors, other relevant employees and the Accounting Auditors concerning the performance of their duties, and, when necessary, requested them to provide explanations.
- (2) Pursuant to the Code of *Kansayaku* Auditing Standards and in accordance with the auditing policies and auditing plans determined by the Audit & Supervisory Board (KANSAYAKU-KAI), each Audit & Supervisory Board Member (KANSAYAKU) has ensured to communicate effectively with Directors, Senior Vice Presidents, employees including those in the internal auditing division and other relevant personnel, made efforts to collect necessary information and improve auditing environment, and performed audit in the way hereinafter prescribed:
  - (i) each Audit & Supervisory Board Member (KANSAYAKU) has attended the meetings of the Board of Directors and other important meetings, received reports from Directors, Senior Vice Presidents, employees and other relevant personnel regarding the performance of their duties, requested them to provide explanations when necessary, examined important authorization documents and associated information, and investigated the operations and financial conditions at the headquarters and other principal offices. As for the subsidiaries, we have ensured to communicate with the directors and audit & supervisory board members (KANSAYAKU) and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business;
  - (ii) each Audit & Supervisory Board Member (KANSAYAKU) has monitored and verified the contents of resolutions of the Board of Directors regarding the enhancement of system required to be implemented to ensure the proper operations of corporate group consisting of the Company and its subsidiary corporations under Article 100(1) and (3) of the Regulation for Enforcement of the Companies Act (internal control system) including a system to ensure that the performance of duties by Directors is in compliance with the laws, regulations and the Articles of Incorporation, and the status of the internal control system established and operated according to the said resolutions;
  - (iii) With regard to “Policy on the Control over the Company” stated in the business report, each Audit & Supervisory Board Member (KANSAYAKU) has examined the statement of the said policy; and
  - (iv) each Audit & Supervisory Board Member (KANSAYAKU) has monitored and verified whether the Accounting Auditors were maintaining their independence and properly performing audits, received reports from the Accounting Auditors on the performance of their duties, the methods and results of the audit, and, when necessary, requested them to provide explanations. We have also received from the Accounting Auditors a notice confirming that “the systems for ensuring proper performance of duties of the Accounting Auditors” was properly implemented pursuant to the laws and regulations, and standards released by Business Accounting Deliberation Council and others, and, when necessary, requested them to provide explanations.

Based on the aforementioned methods, we have examined the business report and its supplementary schedules, the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) as well as the non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and notes to non-consolidated financial statements) and its supplementary schedules.

### 2. Results of audit

- (1) Audit results concerning the business reports, etc.
  - (i) We confirm that the business report and the supplementary schedules fairly present the conditions of the Company in conformity with applicable laws, regulations and its Articles of Incorporation.
  - (ii) We have found no improper acts by Directors in the performance of their duties or any material facts in connection with the performance by Directors of their duties that constitute any violation of applicable laws, regulations or the Articles of Incorporation.

(iii) We confirm that the contents of the resolution of the Board of Directors on the internal control system of the Company are fair and appropriate. Furthermore, we confirm that the establishment and operation of the internal control system, which are described as appropriate in the business report, are fair and appropriate.

(iv) We have found no matters that must be pointed out with regards to “Policy on the Control over the Company” stated in the business report.

(2) Audit results concerning consolidated financial statements

We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.

(3) Audit results concerning non-consolidated financial statements and supplementary schedules

We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.

May 12, 2022

Audit & Supervisory Board (KANSAYAKU-KAI)  
NEC Corporation

Full-time Audit & Supervisory Board Member (KANSAYAKU)	Isamu Kawashima (Seal)
Full-time Audit & Supervisory Board Member (KANSAYAKU)	Nobuhiro Odake (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Taeko Ishii (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Nobuo Nakata (Seal)
Outside Audit & Supervisory Board Member (KANSAYAKU)	Masami Nitta (Seal)