

NEC GROUP TAX GOVERNANCE POLICY

NEC CORPORATION
Minato-ku, Tokyo, Japan
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(Responsible party - the Corporate Accounting and Global Treasury Division)

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1. OBJECTIVE

NEC Corporation and companies under the management control of NEC Corporation (“NEC Group”)¹ with objective to have a common framework for management of tax risk and policy arising for the group lays down the governing principles to be implemented within the group.

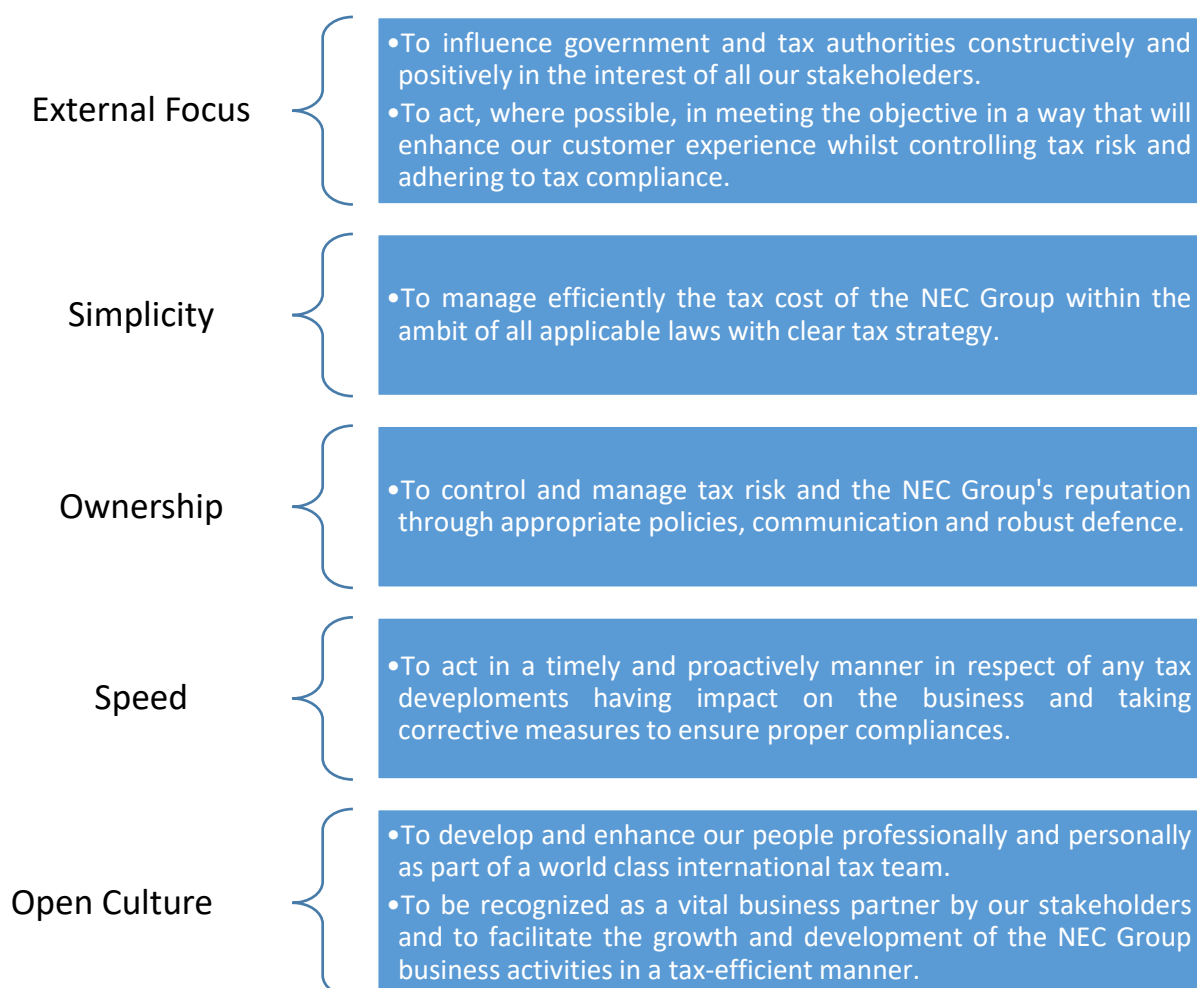
The NEC Group Tax Governance Policy (“the Policy”) is in line with the recommendations of the Organization for Economic Cooperation and Development (“OECD”) and in accordance with current and future Base Erosion & Profit Sharing (“BEPS”) related developments and implementations as well as the purpose and spirit of the tax laws and regulations of jurisdictions where the NEC Group operates.

2. APPLICABILITY

The Policy is applicable to all NEC Group Companies from the date of publication until it is superseded and replaced by a new or revised policy. References to ‘tax’, ‘taxes’ or ‘taxation’ are to global taxation and to all corresponding worldwide taxes and similar duties in respect of which the group has legal responsibilities.

3. GROUP TAX GOVERNANCE FRAMEWORK

The NEC Group Tax Governance Framework is fully aligning with its code of values.



¹ NEC Group refers to a multinational corporate group of which the ultimate parent entity is NEC Corporation, and refers to the entire company, including NEC Corporation, which are consolidated in the consolidated financial statements of the NEC Group.

4. GROUP TAX STRATEGY

The NEC Group will ensure its tax strategy is also fully aligned with the NEC Way, in which the purpose is “to promote a more sustainable world where everyone has the chance to reach their full potential” under the spirit of uncompromising integrity.

The NEC Group Tax Strategy sets out to govern, manage and disclose tax risk and report tax positions, submit tax returns and pay the correct tax due in a timely and accurate fashion. Furthermore, the group will execute the appropriate profit allocation by adhering to the at arm’s length principal regarding intercompany transactions between NEC Group Companies in accordance with current and future developments and implementations by the OECD and also in accordance with the tax laws and regulations of jurisdictions where the group operates. The group does not transfer profits from jurisdictions where the group has generated profits through commercial activities to low-tax jurisdictions where there is no commercial presence.

The NEC Group Tax Strategy focuses on below aspects:

1. Tax risk management;
2. The NEC Group’s attitude towards tax planning and level of tax risk;
3. The policy of engagement with tax authorities;
4. Cooperation with business units and corporate divisions; and
5. Controlling and reporting.

The CFO of each NEC Group Company² ensures that the tax strategy is one of the factors to be considered in all investments and significant business decision-making processes.

4.1. Tax risk management

- Tax risk:

Tax risk can be defined as follows:

“Any event, action or inaction in tax strategy, operations, financial reporting or compliance that either materially adversely affects the NEC Group’s tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational loss or exposure.”

Tax risks can take several different forms (e.g., compliance tax risks, business strategic and operational tax risks, financial tax risks, etc.) and could lead to material risks such as reputational risks to the NEC Group.

The reputational component of tax risk may extend beyond the NEC Group’s relationship with revenue authorities and impacts almost every relationship that the NEC Group has, including with shareholders, investors, staff, management, existing and potential customers and the NEC Group’s Board of Directors.

- Tax risk management:

Tax risk management of the NEC Group consists of the group’s processes for global tax risk control and tax compliance. Such processes are set up in such a way that any tax filings required by tax laws and regulations of jurisdictions where the group operates are submitted timely and accurately and payments of taxes due will be paid in accordance with the submitted tax filings.

² In the case of NEC Group Companies that do not have a CFO, it refers to the senior management person who assumes ultimate responsibilities of a department that supervises tax affairs in such company.

The tax team of each NEC Group Company conducts management of tax risks and tax compliance, and the CFO of each NEC Group Company is responsible for supervising such activities.³ Furthermore, the tax team of NEC Corporation⁴ formulates policies regarding the management of tax risks and tax compliance for the entire NEC Group. The CFO of NEC Corporation is responsible for supervising such tax risk and tax compliance management of the entire group.

The tax team of each NEC Group Company will identify, monitor and avoid any risks to ascertain tax risk management. Each NEC Group Company takes responsibility for applying the Policy through the below governance structure:

- Responsibility for implementing the tax strategy by each NEC Group Company⁵ as well as executing management and supervision of each NEC Group Company's tax compliance³ rests with the CFO of each NEC Group Company.
- Day-to-day operations of each NEC Group Company's tax affairs are delegated to the tax team of each NEC Group Company under the supervision of the head of the team.
- The tax team of each NEC Group Company is staffed with appropriately trained individuals, with support from the tax team of NEC Corporation and external advisors as necessary.

The tax team of each NEC Group Company will ensure that any material risks will be reported to its CFO⁶ and provide a general overview of the potential liabilities and advise the CFO on how to mitigate and control such tax risk. Furthermore, as part of the group governance, each NEC Group Company ensures that the tax positions and any tax risk are correctly and appropriately managed in accordance with international accounting standards as well as local tax laws and regulations.

In order to ensure that the NEC Group conducts tax risk management following the control processes of the tax risk and tax compliance, periodic review of such processes and documentation is being performed. In addition, the processes should be reviewed and updated, if necessary, when there are changes in laws, deployment of new products/services or any other reason the business structure has changed.

Appropriate training is carried out for staff outside the tax team of each NEC Group Company who manage or process matters that have tax implications. Also, advice is sought from external advisors where appropriate.

4.2. The NEC Group's attitude towards tax planning and level of tax risk

The NEC Group will seek to maintain the highest of reputations and the confidence from all stakeholders including regulators, tax authorities, clients and the public, and ensure that tax risk management is conducted in compliance with the purpose and spirit of the tax laws and regulations of jurisdictions where the NEC Group operates.

When entering into commercial transactions, the NEC Group seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the purpose and spirit of the tax laws and regulations. The NEC Group does not undertake tax planning solely for the purpose of tax avoidance

³ In Group companies other than NEC corporation, which is a company with a Nominating Committee, the CFO shall be delegated such responsibilities by the board of directors of each Group company.

⁴ This refers to the department at NEC Corporation that is responsible for formulating and managing tax policies for the entire NEC Group, as well as tax operations such as consolidated tax returns and tax payments for NEC Corporation.

⁵ Responsibility for the implementation of tax strategies at each Group company belongs to the Board of Directors of NEC Group companies, other than NEC Corporation which is a company with a Nominating Committee.

⁶ Group companies other than NEC Corporation, which is a company with a Nominating Committee, shall also report to its Board of Directors.

without any business purpose or business substance. Similarly, the NEC Group does not use tax havens solely for the purpose of tax avoidance and pays appropriate taxes in jurisdictions where the NEC Group operates.

The NEC Group complies with tax laws and regulations of jurisdictions when assessing tax risk, and conducts the assessment based on professional and elaborate judgment as well as with the integrity of a responsible corporate citizen. If there is any uncertainty regarding the taxation or tax position, the NEC Group will strive to minimize tax risk through the careful consideration of the appropriate tax treatment based on the facts, materiality of the amounts and importance by consulting with external advisors or using the advance ruling system with the relevant tax authorities, as necessary.

The NEC Group does not engage in any activities that may violate the BEPS principles outlined by the OECD and ensures to comply with all international standards as it relates to intercompany transactions.

4.3. The policy of engagement with tax authorities

The NEC Group engages tax authorities with integrity and in a constructive and transparent manner, in which it strives to establish a collaborative relationship with the relevant departments of any tax authorities. If and when necessary and possible, the NEC Group will actively reach out to tax authorities to clarify both the NEC Group's long-term tax position as well as short-term tax uncertainties by requesting upfront explanations, clarifications and agreements.

4.4. Cooperation with business units and corporate divisions

The NEC Group seeks to ensure that potential tax issues are properly recognized at the earliest stages of any transactions to be implemented by business units and corporate divisions ("divisions").

When a division is seeking input and sign-off from the authorized person who is responsible for tax matters ("authorized person")⁷ in relation to a transaction, investment or product, the division is responsible for providing such authorized person with all the necessary information to facilitate sign-off. This information will include a detailed description of the facts, size of the transaction, involvement of third parties or other jurisdictions, the potential exposure from legal action by third parties, external advice received, commercial objectives/rationale, timeframe of the transaction and approvals required.

The division is responsible for ensuring that a transaction is implemented appropriately. As part of this process, it is the division's responsibility to ensure that the facts outlined to any advisers as part of the briefing do not change. If the facts do change then the division should inform such change to the authorized person.

In return, the authorized person will work with the division to identify tax risk through the following processes;

- Work with the division as a partner in providing clear, timely and relevant business focused advice for all tax scopes.
- Enhance the division's understanding of tax governance principles and tax risk management processes, including the level of risks the NEC Group will be willing to take.
- Seek the division's understanding that the authorized person should be involved throughout transactions from beginning to end to understand and advise for further changes in the transactions from a tax risk perspective.

⁷ This refers to the person belonging to the tax team of NEC Corporation or each NEC Group Company.

- Provide necessary information and appropriate advice to divisions as part of the approval process for proposed transactions for obtaining a clear understanding for decision takers of any tax risk.

4.5. Controlling and reporting

The NEC Group complies with all tax laws and regulations of jurisdictions where the NEC Group operates with absolute transparency against local tax authorities.

The reported financial figures as of quarterly closings, should be reflecting all accrued and paid taxes for the reporting period by ensuring no significant adjustments in the financials will be required.

Close collaboration is required among the tax teams of NEC Corporation and each NEC Group Company to ensure that all tax treatment and tax risk are managed accurately and appropriately in accordance with local tax laws and regulations along with compliance with accounting standards as well as ensuring that controlling and reporting functions are correctly maintained.

5. REVISION AND ABOLITION OF THE POLICY

The revision and abolition of the Policy will be executed under the approval of the CFO of NEC Corporation.

Revision history

Revision date	Overview of revision
24 April 2024	Revised descriptions in line with the introduction of new international tax systems and mandatory disclosure, and revised the definition of the responsible management person in line with NEC Corporation's transition to a company with nominating committees.