

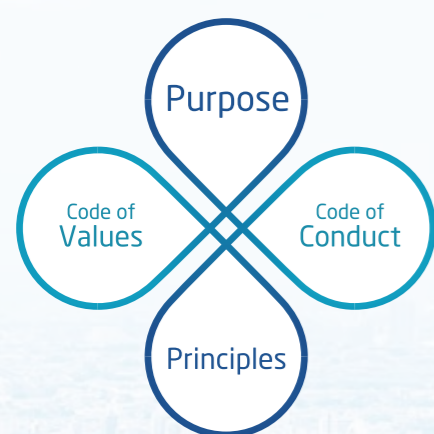
Integrated Report 2022



Orchestrating a brighter world

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

NEC Way



The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself.

Our Stance as a Company

Purpose

Orchestrating a brighter world

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

Principles

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

Our Stance as Good Businesspeople

Code of Values

Code of Conduct

By putting the NEC Way into practice, we will create social value.

Since its founding, NEC has worked to provide social value by putting forth its own unique approach to each era.

We will pursue innovation and work to realize NEC’s Purpose, with the goal of living harmoniously with the earth and creating mutual understanding between people, no matter the era, no matter the conditions.

NEC 2030VISION

NEC aims to realize social value creation based on its Purpose. To accomplish this, we need to think deeply about how society can ensure that everyone will have the chance to reach their full potential. In our view, people find themselves in a three-layered domain, consisting of the Environment layer, the foundation for all activities; the Society layer, where national and local governments operate and economic activity takes place; and the Life layer, which covers our daily lives. Society is further subdivided into three scenarios: City, the setting for people's activities; Communication, which links people and things; and Business, which supports industry and society and provides people with a means to fulfill their purpose. Together with Environment and Life, this gives us five future visions of society to aspire to.

Life



Life

Bringing people together and filling each day with inspiration

Realizing exciting lifestyles in real and virtual worlds that meet the diverse values of consumers

- Fostering mental and physical well-being and long life
- Improving daily habits
- Free and open learning opportunities

Society



City

Nurturing prosperous cities with inclusive and harmonious societies

Achieving efficient operation of cities that support consumers and services optimized for individuals

- Democratizing the use of data in cities
- City without traffic congestion or accidents through dynamic mobility



Communication

Sharing hopes that transcend time, space, and generational boundaries

Fostering shared wisdom and empathy through rich communication that transcends time, space, language and generational barriers

- Free and equal communication services
- Safe and secure cyberspace
- Communication across linguistic frontiers



Business

Creating sustainable societies by shaping new industries and workstyles

Realization of a resilient environment that allows for creative self-realization through diverse workstyles and work objectives

- Social stability through data democratization
- Government services to meet consumer needs
- Closing the gap in employment opportunities

Environment



Environment

Living harmoniously with the earth to secure the future

Realizing a sustainable global environment by taking a holistic approach to tackle society's issues and challenges that promotes greater transparency and real behavioral change

- Realization of a decarbonized society
- Implementation of global warming countermeasures
- Guaranteeing food and water security



Please visit the following URL to watch a promotional video for the NEC 2030VISION.

<https://www.nec.com/en/global/onlinetv/en/2030VISION.html>

NEC Initiatives for Contributing to the Achievement of the SDGs

In 2005, NEC became a signatory to the United Nations Global Compact, a global initiative aimed at sustainable growth for society and companies. We are now promoting corporate activities based on the Ten Principles of the UN Global Compact pertaining to the four fields of human rights, labour, the environment, and anti-corruption, which align with “uncompromising integrity and respect for human rights,” one of the Principles of the NEC Way. Moreover, each and every member of the NEC Group, from officers to employees, performs their day-to-day activities based on the NEC Group Code of Conduct.

Furthermore, based on the Ten Principles of the UN Global Compact, the SDGs pledge that “no one will be left behind” is aligned with the NEC Purpose, “to promote a more sustainable world where everyone has the chance to reach their full potential.”

Information and communications technology (ICT) has the potential for responding to a variety of issues. Therefore, we believe that we can contribute significantly to all of the targets set out in the SDGs by drawing on our leading-edge technologies in such fields as AI (biometrics, etc.) and 5G, as well as our competence in R&D and implementation as we engage in dialogue and co-creation with a range of stakeholders.

NEC 2030VISION and Areas of Contribution (Fiscal 2022 and Onward)

We believe that by working to fulfill the NEC 2030VISION, we can contribute to the achievement of the following SDGs in particular. We take hints from the SDGs to point out the issues and challenges facing society and use the SDGs as a guide when setting targets for creating social value—which we aim to do through our business—and also for managing progress.

	1 No Poverty	2 Zero Hunger	3 Good Health and Well-being	4 Quality Education	5 Gender Equality	6 Clean Water and Sanitation	7 Affordable and Clean Energy	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	10 Reduced Inequality	11 Sustainable Cities and Communities	12 Responsible Consumption and Production	13 Climate Action	14 Life Below Water	15 Life on Land	16 Peace, Justice and Strong Institutions	17 Partnerships for Goals
Living harmoniously with the earth to secure the future	●	●				●	●					●	●				●
Nurturing prosperous cities with inclusive and harmonious societies									●		●						●
Creating sustainable societies by shaping new industries and workstyles								●	●	●	●					●	●
Sharing hopes that transcend time, space, and generational boundaries								●	●	●			●				●
Bringing people together and filling each day with inspiration			●	●				●								●	●

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Editorial Policy

NEC has published annual reports containing both financial and non-financial information since 2013. Starting in 2018, upon having defined its “materiality,” NEC changed the name of its annual report to “Integrated Report.”

Integrated Report 2022 comprises initiatives for achieving the NEC 2030VISION and the Mid-term Management Plan 2025, which are based on NEC’s “Purpose.” NEC has also compiled a section on extremely high-profile human resources as well as NEC’s culture.

The “Message from the President” explains the philosophy behind the NEC Way and the NEC 2030VISION, and the Mid-term Management Plan 2025 explains the strategic and cultural aspects. Furthermore, this report focuses on people, who are the driving force behind management’s implementation of NEC’s “Purpose,” and features a roundtable discussion with employees from one of NEC’s Group companies, Denmark-based KMD Holding A/S, and messages from our employees who are at the forefront of creating value. The report also summarizes the management that supports the creation of corporate value, focusing on “materiality”—management priority themes from an ESG perspective.

NEC will keep endeavoring to provide increasingly transparent and continuous information while incorporating feedback from various stakeholders.

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Reporting Period

April 1, 2021 to March 31, 2022 (hereinafter referred to as “fiscal 2022”; all other fiscal years are referred to similarly). This report also includes information obtained after this reporting period.

Scope of Report

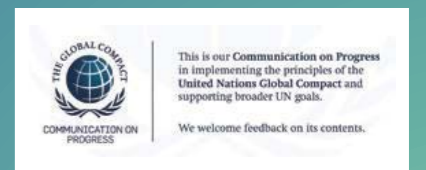
NEC Corporation and its consolidated subsidiaries

Reference Guidelines

- ISO 26000
- GRI Standards
- United Nations Global Compact
- International Financial Reporting Standards (IFRS) Foundation’s “International Integrated Reporting Framework”
- Japan’s Ministry of Economy, Trade and Industry’s “Guidance for Collaborative Value Creation”

Other Related Information

- Earnings Releases / Annual Securities Report
- Corporate Governance Report
- Sustainability Report
- Information Security Report



NEC is a signatory to the United Nations Global Compact.



**Our work to achieve our Purpose—
work that combines strategy and
culture—will show the world that
NEC delivers on its promises.**



Takayuki Morita
President and CEO



Resolving Long-running Issues

In May 2021, the NEC Group unveiled its NEC 2030VISION and its Mid-term Management Plan 2025, which covers the period from fiscal 2022 to fiscal 2026. Working on measures that derive from both over the past year has given me renewed confidence in our long-term goals and where our medium-term efforts are leading us.

In 2018, when I was CFO of NEC, I was breaking down our progress with the Mid-term Management Plan 2020 to an investor, and I can recall his reaction like it was yesterday. He said to me, quite frankly, "you have been unable to deliver on any plans so far, so there is no reason to trust this one." That episode made me deeply aware of the weight my words held when I communicated something to the market, and I realized that we needed a specific and convincing message to regain this trust going forward. By the end of the Mid-term Management Plan 2020, we achieved record-high profits and exceeded targets set under the plan. However, the previous plans had missed their targets, and behind these misses were long-running issues for NEC.

Around the 2000s, NEC's net sales and operating profit began to decline. We responded by trying to be at the top in every area we had expanded to by that time—semiconductors, computers, mobile phones, large storage batteries, to name a few. We ended up withdrawing from areas we could not expect success. We had neglected to make a close examination of success scenarios, which would have required us to ascertain the competitive environment and our strengths and anticipate the type of investments needed as well as the timing and degree of returns according to the type of business and product life cycles. We should have used this information to narrow down our efforts to a few priority fields. Put more simply, we had not taken the care to integrate our business strategy with our financial strategy. This has been an important issue for us to tackle.

One of NEC's fundamental challenges has been converting its superior technology into value. NEC has built up a collection of extremely unique technologies in the process of building and operating numerous mission-critical core systems in Japan. We currently possess technologies in areas such as security, biometrics, and AI that can compete on the global stage. These technologies and others, refined over a 120-year history, are invaluable assets. However, if we cannot commercialize them in a way that creates social value and generates profits, we will no longer be able to develop technology; and if we rely on customers to convert technology into value for us, then NEC has no reason for being.

We have had other issues as well. For instance, each business unit pursued short-term profits, even if it meant losing out on profits over the long term. Moreover, these divisions followed a period-centric and unit-centric approach to profit and loss that stressed unit profits over overall value for NEC. In addition, we have been lacking the ability to take action.

The NEC 2030VISION and the Mid-term Management Plan 2025 incorporate our awareness of these issues to create a concrete and logical message of growth that we can convey to investors.

Seizing the Future Together

The Mid-term Management Plan 2025 serves as NEC Corporation's commitment to shareholders as a company entrusted with management of the NEC Group to deliver results within a certain time frame. Needless to say, this calls for proper accounting. To make good on our promises when the future is unclear requires a clear understanding of our direction from a long-term perspective and measures that will achieve our goals. Because of this, we have switched from a three-year plan to a five-year plan. It takes at least five years of operating a business to recover an investment, so a five-year period also makes sense when trying to eliminate the aforementioned period-centric approach to profit and loss.

On the other hand, the NEC 2030VISION is rooted in efforts that are not bound by the same time constraints. While the year "2030" is in the name, this time frame is not set in stone. There is a good reason for this. When you apply the constraints of time and resources to your understanding of technological changes or the degree to which you can demonstrate your capabilities and create social value, you also place constraints on the scale and boldness of your ideas.

In the 2010s, NEC was in a life-or-death situation. The management team, myself included, found ourselves in discussion after discussion regarding NEC's reason for being. We determined that our reason for being was "the creation of 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." In 2013, we declared our intention to become a Social Value Innovator. In April 2020, we redefined the NEC Group's common set of values that form the basis for how the Group conducts itself as the NEC Way. We also set this reason for being as the NEC Group's Purpose, under the brand statement "Orchestrating a brighter world." Major social changes brought on by COVID-19, environmental problems, and emerging geopolitical risks have reaffirmed the validity of this Purpose, but in addition to employees, who are a given, we need to get customers, business partners, and society as a whole onboard so that we can "seize the future together" and bring this Purpose to fruition. The NEC 2030VISION provides a logical, plausible, and specific presentation of NEC's vision for future society. The direction of the NEC 2030VISION was determined by three beacons—"Environment," "Society," and "Life"—and fueled by the strengths we have utilized to support social infrastructure around the world. Furthermore, as a signatory to the UN Global Compact, we believe achieving this vision will help achieve the SDGs set by the United Nations.

Combination of Strategy and Culture

Ever since I was young, I have always tried to express myself frankly and honestly. Of course, such candor can sometimes backfire and cause things to run awry, but I believe there are many more cases where the ambiguity of things left unsaid creates distrust. After over 50 M&As and other dealings that include business transfers and the establishment and dissolution of joint ventures, I believe all the more that the act of internalizing the other party's point of view and honestly stating whether you believe something is correct or not goes a long way toward building mutual trust, and this is true regardless of the nationality. Now that I am a part of senior management, I try to maintain this same frankness with employees.

It goes without saying that business and financial strategies are an important part of corporate management, but it is just as important to have a corporate culture that creates, supports, and retains highly driven personnel. These personnel are the source of our growth potential, and each and every one of them, as well as management, needs to be in alignment with NEC's forward vector to ensure that it can become a Social Value Innovator that takes advantage of its superior technology. It is for this reason that the Mid-term Management Plan 2025 is focused on combining culture and strategy, and it is through such efforts that it gives life to the shared values laid out in the NEC Way.

Human Resources and Engagement Score

On the point of culture, we have placed our focus on communication with employees and have positioned the engagement score as a key performance indicator (KPI), and are aiming for a score of 50% by fiscal 2026. To that end, we have held two-way town hall meetings that any employee can take part in. At these meetings, I give my honest opinions, delivered in my own

words, on a variety of topics, such as what kind of company I would like NEC to become, and how I try to carry myself. I also try to keep my speeches as short as possible so that most of the time can be devoted to fielding questions. Some of the questions are hard to answer, but I try to be forthright and express my thoughts on any question that comes my way. It is difficult to mobilize all employees in the same direction, but I feel that the number of employees taking our words to heart and making a sincere attempt to understand this direction is gradually rising. In fiscal 2022, we held 10 such meetings in Japan, with over 10,000 participants each time, and 26 times abroad. Our engagement score reached 35%, a 10-point increase from the previous fiscal year, which is a good start on the path toward our fiscal 2026 goal.

In addition to these dialogues, we are also working to devise ways to shift culture. This includes efforts to bolster diversity as a source of innovation, implement workstyle reforms supporting diverse talent, and enhance talent management by cultivating leaders and DX talent.

I have heard that NEC used to embrace the phrase “silence is golden.” However, I would like to instill a culture of “speaking up,” where people can express their opinions honestly, act on their own initiative, and receive their due recognition, as this will increase NEC’s ability to take action.

Integrating Our Business and Financial Strategies

The integration of our business and financial strategies is clearly set as a policy within the Mid-term Management Plan 2025 in recognition of its importance. I have also set a financial policy of maximizing long-term profit and optimizing short-term profit. This policy is based on my experience in handling several M&As, in which corporate value is a measure of the lifetime cash flow of a business.

When it comes to pulling ahead of international competition and increasing the value of our businesses in the long term, I consider M&As to be one of the most important tools at our disposal. They serve as a complement to NEC’s assets, customer base, know-how, and other aspects of the Group. Under the previous mid-term management plan, we invested over ¥450.0 billion in M&As, acquiring three European companies including KMD Holding A/S (KMD), Denmark’s largest IT company. Since M&As are not an objective in and of themselves, we have not set a specific investment cap. Instead, our policy is to maintain the capacity to make investments on the same scale by continuously generating free cash flow. When we conduct M&As, we are also careful to select candidates that are in line with our investment strategy and show the potential to generate cash. In keeping with these policies, we have set EBITDA growth as a particularly important KPI for the Company. In addition, we will prioritize the allocation of management resources toward growth businesses—including Digital Government/Digital Finance, global 5G, core DX, and businesses primed to be future pillars of NEC—and thereby spur sales and profit growth worldwide, including Japan. Growth businesses need upfront investments to become future pillars of a company. Since the amount of time to recover this investment differs from business to business, our policy is to make optimal investments that will generate the maximum amount of profit from a long-term perspective, and then monitor these investments using internal rate of return (IRR) and other KPIs that match the particular business.

On the other hand, non-growth businesses are positioned as base businesses. These businesses are divided into high- and medium-profit businesses and low-profit businesses. The former can use their earnings to cover their investment needs and allocate any surplus funds to growth businesses, whereas the latter need to reform their earnings structure. For these base businesses, we are pursuing capital efficiency and have set ROIC as an important indicator for monitoring this pursuit. We are also trying to achieve an operating profit ratio of 7% or higher, on par with top-tier companies in the industry. To that end, we established a 7% hurdle rate for

16 low-profit businesses and are working to improve the profitability of these businesses under the leadership of the CFO. If we determine that a business will have difficulties achieving an improvement plan, we will explore other options, such as further structural reforms, exit strategies, alliances and integrations, and then make a decision about the future of the business. As someone with a bird’s-eye view of our business, I believe that making these tough decisions is my responsibility.

Converting Technology into Value

Over the course of the previous mid-term management plan, NEC took steps to address its inability to convert technology into value. As part of this effort, we established dotData, a business based in Silicon Valley that specializes in software that utilizes AI to automate data analysis processes. Also based in Silicon Valley is NEC X, Inc., a business incubator that leverages NEC’s technology to work with start-up accelerators and establish new businesses. Yet another example is BIRD INITIATIVE, a collaborative R&D business aimed at spawning new businesses. Under the Mid-term Management Plan 2025, we have defined a model for growth that will see us generate strong profits and cash by converting our strengths in the form of R&D and high-quality implementation capabilities into customer value, which we will do by establishing common infrastructures based on our greatest strength, technology. To bridge the gap between R&D and creating business, we integrated the R&D Unit and the Business Innovation Unit to establish the Global Innovation Unit. This move has helped increase collaboration and strengthen ties between the R&D Division and the New Business Division, which serves to speed up the creation of businesses capable of becoming future pillars. In particular, we aim to commercialize AI-based drug discovery, agriculture, and healthcare—areas that have a social impact.

To convert our technological strength into more significant social value, we need to move beyond merely enabling better business. Instead, we need to look to ways to be an active participant in this business. This could mean, for example, creating systems to grow crops in the case of agriculture, or systems for mass-producing drugs in the case of drug discovery. Of course, these plans have been formulated on the premise of working with partners as opposed to working with NEC’s assets alone, and I believe that this will help diversify our sources of revenue.

Business Strategy for Growth Businesses

One of our growth businesses, Digital Government/Digital Finance, requires high levels of credibility and compliance with laws and regulations. This is something that would be difficult for mega-platformers working on a global scale, but this is an area where we can use our ability to handle mission-critical social infrastructure in different countries to our advantage.

With the establishment of the Japanese government’s Digital Agency in September 2021, there has been an uptick in efforts by both the private and public sector to resolve social issues, such as attempts to popularize and promote the use of the “My Number” identification system. NEC will make full use of its experience and resources to contribute toward the digitalization of government. We are working to pool the management resources of two Europe-based leaders in digital government, NEC Software Solutions UK (formerly Northgate Public Services [UK] Limited; hereinafter SWS) and KMD Holding A/S (KMD), and create various synergies with the NEC Group. For example, KMD, which we acquired in fiscal 2019, has played a central role in the digitalization of government in Denmark, a front-runner in digital governments. The experience and know-how of both these companies, combined with NEC’s biometrics and security capabilities, can go a long way toward the digitalization of Japan and other countries. In fiscal 2022, we have

NEC's Past, Present, and Future

Message from the President

continued with our strategy, which includes the acquisition of pioneering projects connected to the Digital Agency in Japan, the completion of post-merger integration for Avaloq Group AG (Avaloq) abroad, and bolt-on acquisitions for SWS.

As for global 5G, the competitive environment in the network business has undergone major changes as mobile telecommunications standards have evolved from 2G to 3G to 4G. Now as 5G, the fifth generation of these standards, spreads worldwide, Open RAN is expected to become mainstream. Open RAN allows different vendors to interconnect devices via a common standard, which in turn allows for the rapid construction of networks at low cost.

For NEC, which was one of the first companies to commercialize Open RAN-compatible base stations and has successfully commercialized them in Japan, this shift presents a great opportunity to expand our business globally. In global 5G, we aim to leverage our alliances with NTT Corporation and Rakuten Mobile, Inc. to use our commercial achievements as a platform from which to take a leading position in Open RAN. In fiscal 2022, we were selected for multiple commercial projects in Europe and we will use these projects as footholds to expand globally.

In core DX there is a growing need for companies like NEC that provide comprehensive services, ranging from upstream consulting to downstream delivery. This trend has caused several companies to enter this field via the consulting route. In addition to the personnel of ABeam Consulting Ltd., NEC has over 5,000 personnel involved with DX in Japan, thanks to internal reshuffling. This is the largest number among domestic IT companies, and we have plans to increase this number to approximately 10,000 by fiscal 2026. We will use the interconnectivity of our organization to boost collaboration between our consulting wing and engineering wing, which will allow us to meet customer needs from end to end with a high-quality response. With the full force of our technologies related to security, biometrics and digital ID, AI and otherwise, and the full force of our resources, which allow us to provide services that flow seamlessly from the cloud to on-premises and back, we plan to quadruple the net sales achieved in fiscal 2021 to ¥570.0 billion. In fiscal 2022, consulting services provided through our connections with ABeam Consulting resulted in our acquiring projects with business partners. Furthermore, global strategic collaboration with partners such as AWS, Microsoft, and SAP continues to move forward, and this collaboration is helping us make steady progress toward a framework that will facilitate collaborative relationships with our customers.

Leaving No Doubt

In fiscal 2022, we stated our direction for the medium to long term loud and clear, and we have implemented a series of measures based on that statement. In the Olympics, there is an event called the triple jump, which is made up of three phases, a hop, a step, and a jump. Using this as an analogy for illustrating our progress, we have completed the “hop,” and have done so with vigor. Fiscal 2022 is when we embark on the second phase, the “step.”

Although we have made good progress qualitatively, the capital market still views NEC as one of many comprehensive electronics manufacturers. We possess an intangible asset, technology, but our technology is still seen as secondary to that of specialized IT vendors. As we move toward fiscal 2026, we are committed to improving corporate value by presenting shareholders and investors with a convincing story that backs up qualitative changes in growth and profitability with concrete results to ensure that we are no longer one of many. To that end, we intend to create catalysts that are both visible and will accelerate growth.

As these catalysts form the basis for growth, we are also working to increase credibility and dispel any doubt lingering among investors. To do this, we will develop and deploy a logic tree that leads us toward Group-wide numerical targets while also trying to reform management methods and mindsets. We will respond to increasingly complex risks by expanding the risks we deem material to include geopolitical risks, supply chain risks, and human rights risks. From there, we will strengthen resilience to this expanded list of risks.

On April 1, 2022, we reformed our business structure to de-fragment and de-stratify our organization. This updated structure is rooted in the strategy put forth in the Mid-term Management Plan 2025 and will better ensure sound execution of strategy overall. This update will increase the authority and responsibility of leaders and encourage greater commitment to management. At the same time, this structure will encourage commitment among leaders and help pinpoint young employees that can lead in the future. Fiscal 2023 will reap the benefits of these organizational reforms and lay the groundwork for further reforms in fiscal 2024.

I would like us to ramp up our efforts by ramping up our financial measurement methodologies as well as the non-financial measurement methodologies that form corporate value, as these efforts will raise sustainability and create a positive assessment of our corporate value overall. To further promote management for sustainability and to maintain our inclusion in ESG indices, we have set KPIs within the Mid-term Management Plan 2025 for each aspect of ESG—environment, society, and governance—and we are continuously working to improve our ESG performance by strengthening non-financial initiatives centered on materiality and highly transparent disclosure of information.

An Ever-changing NEC

In addition to the fight against COVID-19, the onset of new geopolitical risks is challenging the commonly held idea that globalization is inevitable. In times like these, NEC has proven its ability to band together as a group to respond to crisis by minimizing the impact of supply chain problems and performing other necessary tasks.

Over the past 120 years, NEC has faced many crises, but the driving force behind its survival over the next 100 years will be its superior technological capabilities and its power as an ever-changing group. It is with these strengths that we will make steady progress and achieve the goals of the Mid-term Management Plan 2025 and win the trust of all stakeholders, including shareholders and investors.



NEC's Value Creation Journey

Nippon Electric Company, Ltd. (NEC) was established in 1899 as Japan's first joint venture with a foreign-owned company. In keeping with its founding spirit of "Better Products, Better Services," NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunications equipment and computers.

In May 2021, we formulated the Mid-term Management Plan 2025, a five-year plan to achieve the NEC Way and NEC 2030VISION. Under this plan, we are promoting Purpose-driven Management with strategy and culture positioned as one.

Our First Establishment 1899

Establishment of Nippon Electric Company

The Founding Spirit of "Better Products, Better Services"

Nippon Electric Company was established as Japan's first joint venture with a foreign-owned company. The Company bubbled with its founding spirit and a strong desire to popularize the telephone in Japan.



Founder: Kunihiko Iwadare

Our Second Establishment 1977

C&C Announced

The Integration of Computers and Communications

Anticipating the internet-driven world of today, NEC positioned itself as one of the top five companies in the world in the three fields of computers, communications, and the semiconductors that connect them.



Announcement of C&C at INTELCOM '77

Our Third Establishment 2013

Transformation into a Social Value Innovator

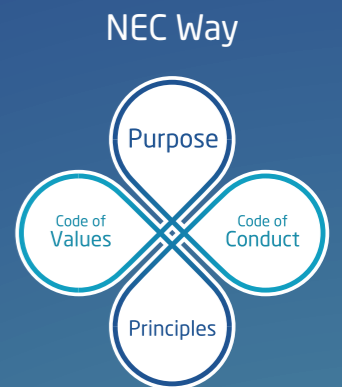
As the value expected by customers and society changed from our tangible technologies and products to the intangible creation of value, we responded under the Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator.



2020

NEC Way

NEC stipulated its "Purpose" within the NEC Way as "NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential," utilizing its unique and powerful technologies to achieve this Purpose.



Network	1899	1928	1964	1970	1987	2007	2010	2016	2018	2019
	Nippon Electric Company, Ltd. established	Transmitted scenes of Imperial Accession Ceremony of Emperor Hirohito	International satellite TV broadcasts of the Tokyo Olympics	Japan's first satellite, Osumi, launched	Started manufacturing optical submarine relay equipment	Ultra-compact radio communications system PASOLINK secured top global market share	Asteroid explorer HAYABUSA successfully returned to Earth	Submarine cable installation reached over 250,000km, enough to encircle the Earth six times	Asteroid explorer HAYABUSA 2 reached the asteroid Ryugu	Began shipping base stations for 5G networks
IT		1954	1958	1974	1982	2002	2012	2015	2020	
		Began research into computers	Developed the first domestically produced fully transistorized NEAC-2201 computer	The ACOS Series 77 mainframe computer family announced	The PC-9801 personal computer announced	The Earth Simulator, the world's fastest supercomputer system for resolving global environmental problems, completed	Built ICT infrastructure for multiple stadiums used in the Soccer World Cup, held in Brazil	Contributed to implementation of the Individual Number System	Started quantum computing application services	
AI		1960	1971	1984	2004	2009	2016	2018	2019	
		Started development of optical character recognition (OCR)	Fully automated postal sorting system deployed	Received an order in the U.S. for fingerprint matching services	No. 1 in fingerprint authentication ^{*1}	Ranked No. 1 in facial authentication ^{*2}	Biometrics solutions adopted in 70 countries. Formulated the AI technology brand "NEC the WISE"	Established the biometric authentication brand "Bio-IDiom"	Entered the drug discovery business, specializing in advanced immunotherapy using "NEC the WISE"	

*1 Ranked 1st eight times in task assessment, sponsored by the U.S. National Institute of Standards and Technology (NIST)

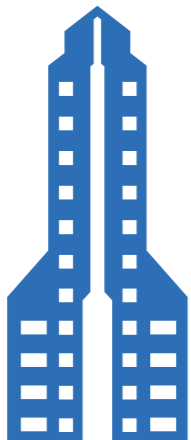
*2 Ranked 1st multiple times in facial authentication benchmark testing held by the U.S. NIST <https://www.nec.com/en/global/solutions/biometrics/index.html>
Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.

NEC's strengths developed to date

What is NEC

Corporate Scale


Establishment




1899

Number of employees*¹


Approximately **117,000**



Average age of employees*¹ *²



Male **44.3** years old



Female **41.4** years old

Environment

CDP (Climate Change, Water Security, and Supplier Engagement)




A List

Governance

Number of cases of serious involvement with cartels and/or bid-rigging



0 cases

Corporate Scale

Market capitalization



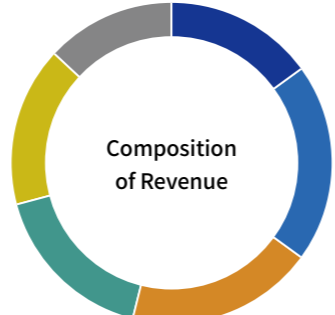
Approximately **1.4** trillion yen

Financial Indicators

Revenue*⁴

3,014.1 billion yen


- Public Solutions Business 15%
- Public Infrastructure Business 20%
- Enterprise Business 19%
- Network Services Business 17%
- Global Business 16%
- Others 13%



Composition of Revenue

Diverse Range of Human Resources


Ratio of male and female hires*¹ *⁴



Male **72.9%**


Female **27.1%**

Ratio of female managers*¹




9.6%

Ratio of employees returning after childcare leave*² *⁵



99.0%


Ratio of employees with disabilities*² *⁶



2.39%

Financial Indicators

EBITDA*⁴

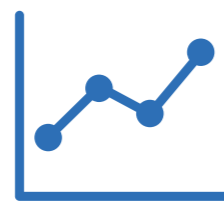


304.0 billion yen

10.1%

Financial Indicators


Owners' equity ratio*³



40.2%

R&D and Technological Capabilities


R&D expenses*⁴



126.3 billion yen

R&D and Technological Capabilities


Number of patents*¹



Approximately **45,000**

R&D and Technological Capabilities

Technological capabilities



Global No. 1

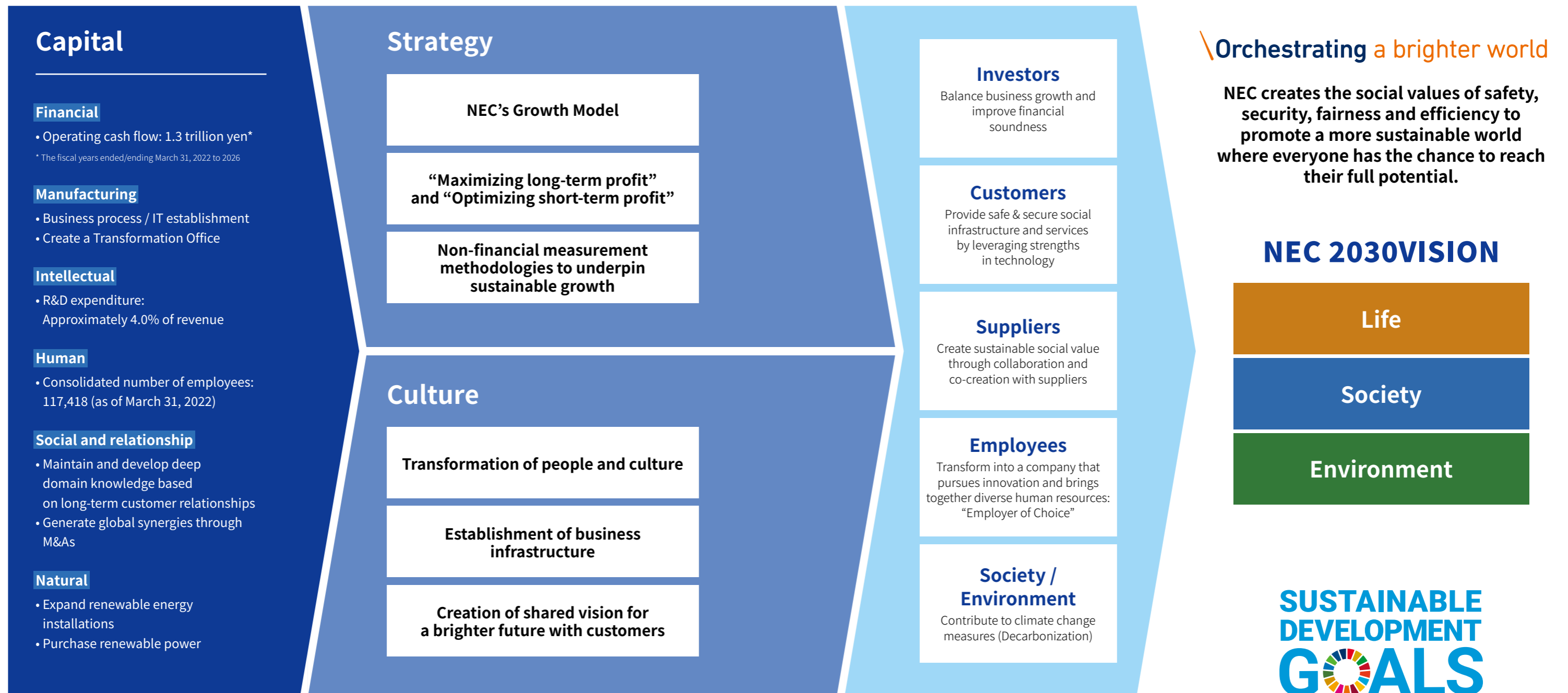
- Facial authentication*⁷
- Fingerprint identification*⁸
- Iris recognition*⁹

*¹ For NEC Corporation on a non-consolidated basis
 *² As of March 31, 2022
 *³ Actual results for fiscal 2022
 *⁴ Actual results as of March 31, 2022
 *⁵ Ratio of employees returning to work who started childcare leave in fiscal 2019

*⁶ Based on the Promotion of the Employment of Persons with Disabilities Law, as of June 1, 2022
 *⁷ Ranked 1st multiple times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
 *⁸ Ranked 1st in benchmark testing sponsored by the NIST
 *⁹ Ranked 1st in benchmark testing sponsored by the NIST
 Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.

Value Creation Process

When implementing NEC's Mid-term Management Plan 2025, NEC will provide value to its various stakeholders by connecting strategy and culture based on its unique tangible and intangible assets. Additionally, NEC aims to fulfill the NEC 2030VISION, which is the specific vision for its "Purpose." The direction of NEC's Purpose and the NEC 2030VISION is identical in spirit to the SDGs' pledge to "leave no one behind," and NEC will contribute to the achievement of the SDGs through dialogue and co-creation with various stakeholders, taking advantage of the technologies and competence in implementation that it has cultivated.



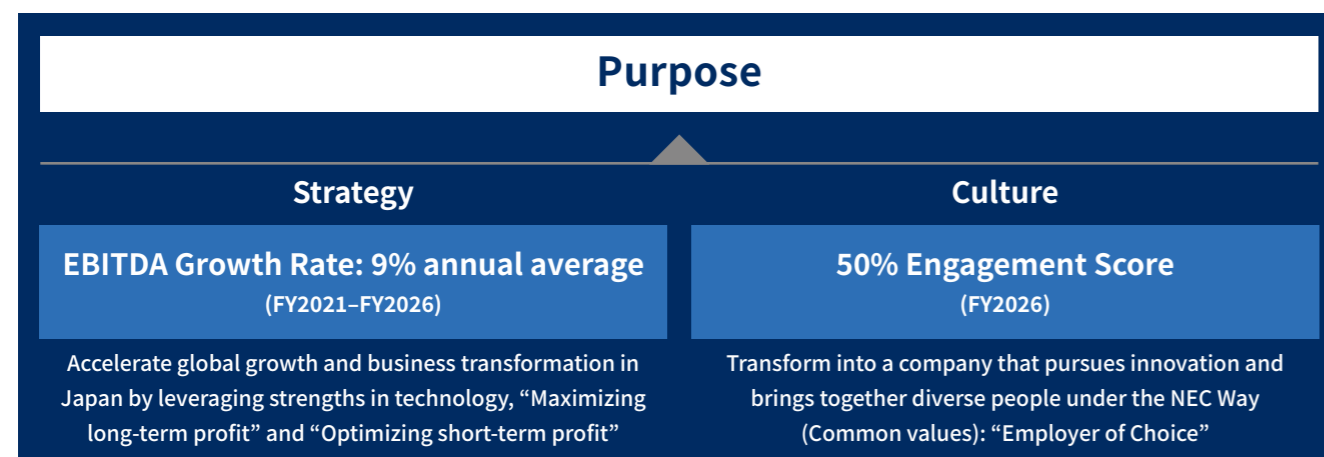
Mid-term Management Plan 2025

Achievement of NEC's "Purpose"—A Combination of Strategy and Culture

The NEC Group has formulated the Mid-term Management Plan 2025, which concludes in fiscal 2026, with the aim of realizing the NEC 2030VISION and NEC's "Purpose" set within the NEC Way. This Purpose calls for a combination of strategy and culture, and therefore the Mid-term Management Plan 2025 promotes Purpose-driven Management with indicators set for strategy- and culture-based targets.

Strategy: We will achieve growth through acceleration of global growth and transformation of domestic businesses by providing customer value through NEC technology. In financial terms, our financial strategy is integrated with our business strategy, with the first priority being to maximize long-term profit, followed by optimizing short-term profit.

Culture: We believe that our cultural strength is the strength of people to implement our strategies and realize our Purpose. We aim to transform ourselves into a company that pursues innovation and brings together diverse people under the NEC Way—the NEC Group's common set of values that form the basis for how the Group conducts itself.



Mid-term Management Targets

(Billions of yen)	FY2021 Results	FY2022 Results	FY2026 Targets
Revenue	2,994.0	3,014.1	3,500.0
(Growth rate from FY2021)	—	0.7%	3.2%
Adjusted operating profit	178.2	171.0	300.0
(Percentage of revenue)	6.0%	5.7%	8.6%
Adjusted net profit	165.4	167.2	185.0
(Percentage of revenue)	5.5%	5.5%	5.3%
EBITDA* ¹	295.8	304.0	450.0
(Percentage of revenue)	9.9%	10.1%	12.9%
ROIC* ²	4.7%	3.9%	6.5%

*1 EBITDA = Gross profit – SG&A expenses + Depreciation/Amortization

*2 ROIC = (Unadjusted operating income – Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets [including minority interest])

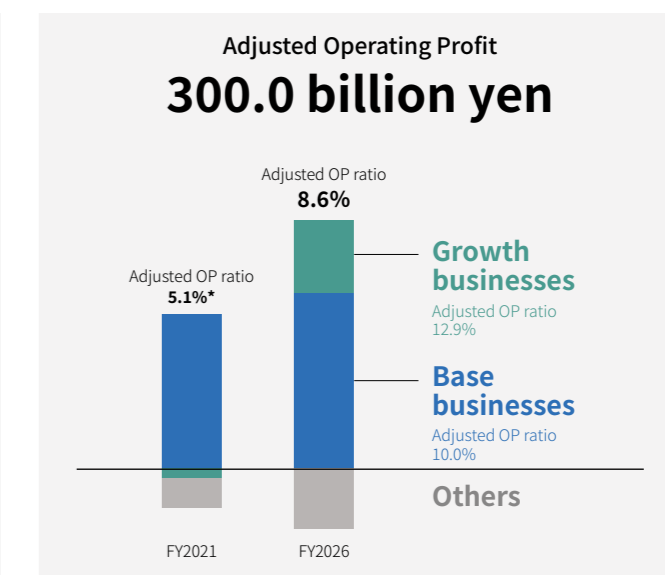
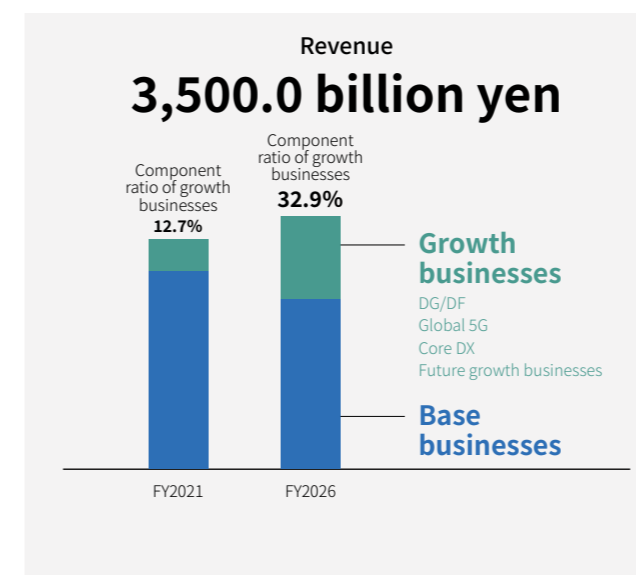
Achieve Earnings Growth through Both Growth Businesses and Base Businesses

Growth businesses are classified as Digital Government/Digital Finance, global 5G, core DX, and future growth businesses, whereas base businesses are all other businesses.

In growth businesses, the NEC Group will prioritize the allocation of resources in order to acquire and strengthen its competitive advantage, with the aim of driving growth in revenue and profits.

In base businesses, given the cautious business environment, the focus will be on improving profitability and aiming to steadily increase profits.

Strategy	Business Strategy	Digital Government / Digital Finance	• Transform into a top-class vertical SaaS vendor in the global DG/DF market	P22
		Global 5G business	• Aim for 20% market share in the Open RAN market in 2030, including expansion in the Japanese market from primarily a base station hardware provider to a full software and hardware solutions provider	P24
Financial Strategy	Core DX business	Future growth businesses	• Expand our value proposition through a comprehensive approach encompassing consulting to delivery	P26
			• Implement price strategy and improve gross profit through common ICT platform technologies and offerings	
			• Strengthen competitiveness through hybrid IT (Cloud/DC/On-Premises) alliances and in-house optimization	
Culture	Base businesses	Transformation of culture and how we work	• Create growth businesses that will realize the NEC 2030VISION with strong technologies and inbound innovation	P28
			• Maintain profitability above our competitors for our high- and medium-profit base businesses	P29
			• Improve profitability by establishing a monitoring system for low-profit businesses	P30
Financial Strategy	Maximizing long-term profit and Optimizing short-term profit	Transformation of culture and how we work	• Use continuously generated cash flow to fund sustainable growth and enhance corporate value through optimal capital allocation and by building robust financial and non-financial measurement methodologies	P31
			• Transform our people and culture	P31
Culture	Transformation of culture and how we work	• Establish business infrastructure	P31	
		• Create a shared vision for a brighter future		



* Excluding "one-time profit/loss" in the statement of profit or loss

Digital Government and Digital Finance Business

Digital governments (and digital municipalities) make full use of IT in all areas of administration to increase convenience and reduce the burden on citizens and companies. They achieve this by simplifying and streamlining administrative processes. Digitalization promotes collaboration and integration between various industries, but collaboration between government and financial institutions is expected to lead the way in this regard. In several European countries, digital IDs are already being used for authentication, identity verification, and as a link between government and financial institutions for assessing eligibility for various services. There are also new innovations emerging based around digital tokens, a form of independently issued digital currency. For example, verification trials in the U.K. are underway for the use of blockchain technology to conduct transactions and manage registration in real estate. The market for digital finance is also expected to grow over the long term as the use of digital technology becomes more widespread and a growing group of users utilize this technology to receive advanced asset management advice and conduct asset transactions.

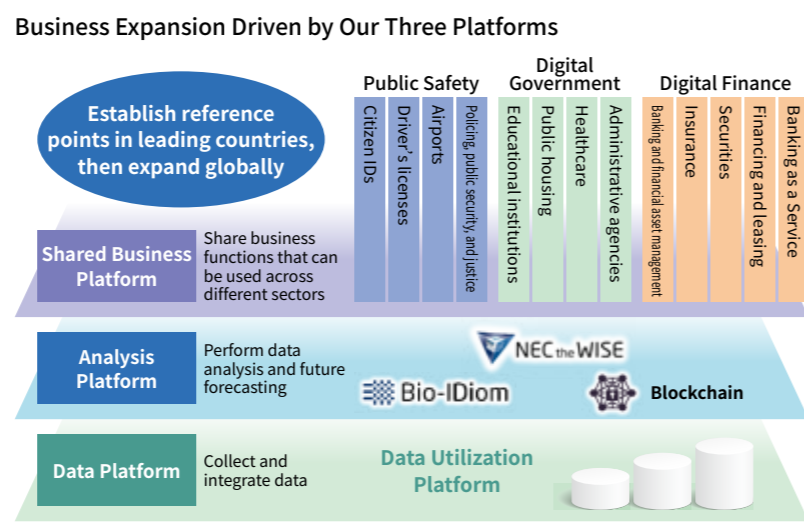
NEC's Digital Government and Digital Finance Business

Government systems operate for long periods of time and need to be reliable, and this task is not possible without a company that can fulfill its social responsibilities. NEC has a long track record of contributions to mission-critical social infrastructure, and has offered protection to Japan in the handling of sensitive data without any major issues. On the global front, we have developed a business that draws upon the strength of our biometrics to provide solutions related to public safety. In addition, the acquisition of NEC Software Solutions UK—hereinafter SWS (formerly Northgate Public Services [UK] Limited)—and KMD Holding A/S (KMD) has enabled us to conduct business that involves converting their know-how into software for customers in the public sector, which also includes functions related to public safety. We have also acquired Swiss company Avaloq Group AG (Avaloq) in order to enter the digital finance field, with the expectation that this entry will generate synergies with digital government. We are working to expand and develop business by taking advantage of the global embrace of DX. In addition, we are making a shift toward a software as a service (SaaS)-based business model.

Our Three Acquisitions

<p>NEC Software Solutions UK (SWS) (formerly Northgate Public Services) SWS is an IT services company based in the United Kingdom. The company features a strong customer base and a shared business platform that can be used for a variety of sectors, including policing, tax collection, social security benefits, and public housing management.</p>	<p>KMD Holding A/S (KMD) KMD is Denmark's largest IT company with a strong customer base, wide-ranging platforms, solutions for both financial and insurance sectors, and a proven track record in user experience and analytics, all of which it has leveraged to support digitalization of the government.</p>	<p>Avaloq The growth of Swiss company Avaloq is partially driven by recurring business from provision of software via a SaaS-based business model. The company holds the top market share in wealth management software in Europe and ranks second in Asia Pacific.</p>
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NEC has referenced its connections in leading countries that have embraced digitalization to expand its software platforms globally. This expansion hinges on three software platforms rooted in common business, analysis, and data. In addition to these efforts, NEC possesses superior technology utilized in products related to analytics (NEC the WISE), biometrics (Bio-IDiom), and the blockchain, and works to enhance these products. Even further, it has built up trust over the course of many years spent supporting businesses run by local government and central agencies, plus a wealth of experience and resources related to the stable migration of systems, an important process for digitalization. Put together, this comprehensive set of capabilities is NEC's true strength today.



Business Opportunities

- Increased demand to reduce administrative work, to improve convenience, and to simplify and streamline operations
- Collaboration and integration between a variety of industries, such as government and finance
- Growing group of users utilizing digital technology to receive advanced asset management advice and conduct asset transactions

NEC's Strengths

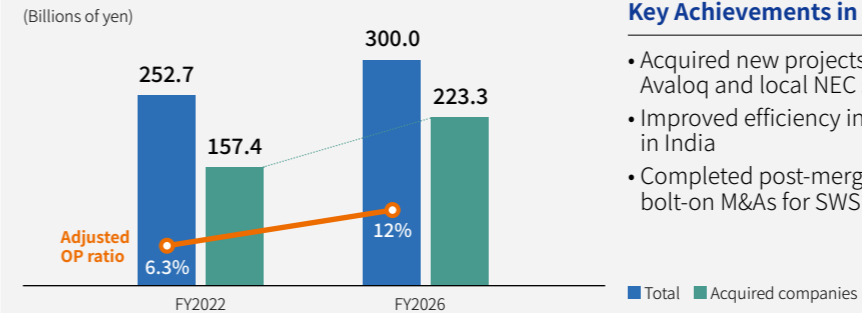
- Trust and a track record built up from many years of supporting businesses run by local government and central government agencies
- Superior technology and products related to biometrics, the blockchain, etc.
- Customer bases in countries with developed digital governments

Risks

- Expected synergies may fail to materialize, hindering profitability
- Market factors could lead to delays in establishing digital governments and finance

Business Conditions

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio



Key Achievements in Fiscal 2022

- Acquired new projects thanks to synergies created between Avaloq and local NEC subsidiaries in Asia
- Improved efficiency in development by utilizing offshore bases in India
- Completed post-merger integration for Avaloq and conducted bolt-on M&As for SWS

Business Opportunities and Key Measures for the Medium to Long Term

1. Accelerate global development

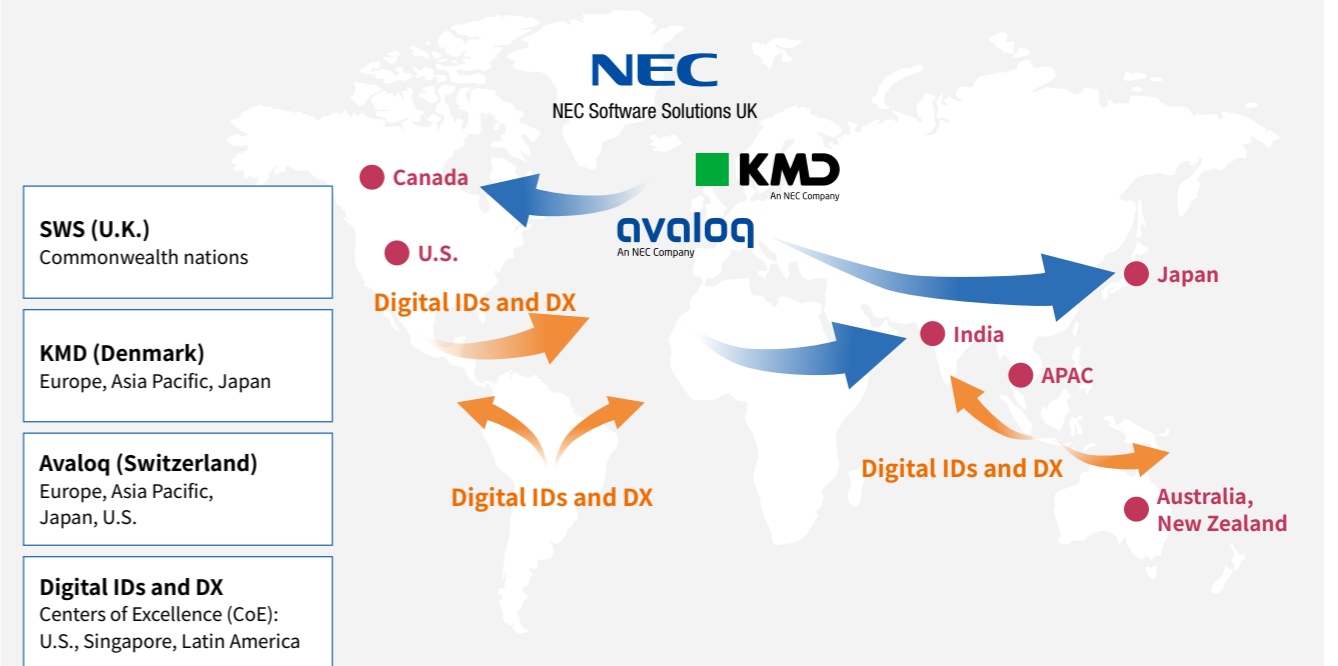
London-based SWS has already expanded into Commonwealth nations such as Australia and New Zealand, with the intention to strengthen its presence in these areas going forward. KMD is currently expanding in Europe and is also working with NEC to enter the Asia Pacific region and Japan. Avaloq, which is headquartered in Switzerland, is offering solutions to Japanese customers while also looking to expand into the United States. Regarding digital IDs and DX, we have highlighted the U.S., Singapore, and Latin America as Centers of Excellence in our effort to deploy NEC's solutions around the world.

2. Transform our business model

We believe it is important to continue investing in our key business areas while making SaaS business a larger proportion of NEC's business. We are planning to achieve a combined net sales of ¥169.5 billion in fiscal 2023 for SWS, KMD, and Avaloq. Software under the SaaS business model is expected to account for 77% of this result, but we intend to raise this ratio to 80% or higher by the end of fiscal 2026. At the same time, we will use bolt-on M&As to expand our business domains and customer base. We will also work to maximize our return on investment (ROI) by withdrawing from low-profit businesses and reorganizing our business portfolio.

3. Streamline development and operations

We are pursuing cost synergies and increasing the competitiveness of our software through the selection, concentration, and mutual utilization of assets. Outsourcing work offshore is particularly important when it comes to software development. SWS, KMD, and Avaloq have a combined workforce of approximately 9,000 employees, 3,800 of whom work in development, with 40% of the personnel located offshore or nearshore. We intend to increase the ratio to 55% over the period of the Mid-term Management Plan 2025, which will increase operating profit by between ¥5.0 billion to ¥6.0 billion over the course of the plan.



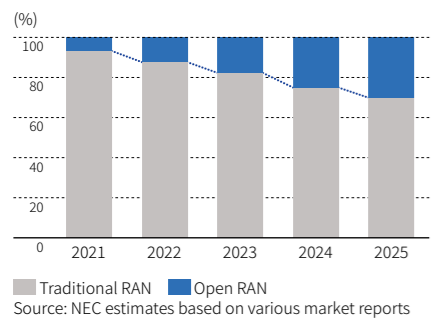
Global 5G Business

In recent years, network connections have gone beyond the scope of smartphones and computers to include a variety of sensors, smart meters, home appliances, automobiles, medical devices, and other items. This shift has increased the number of domains that utilize data to a considerable degree and has made it possible to perform analysis, detection, and operation in real time. The technological development of 5G has been promoted globally as a means to provide a wireless communication standard that can handle this boom in IoT business in a way that 4G cannot. Commercial 5G service has the potential to dramatically change both business and social environments. Telecom carriers will play an important role in making sure that 5G is a reliable form of infrastructure that can support society at its core.

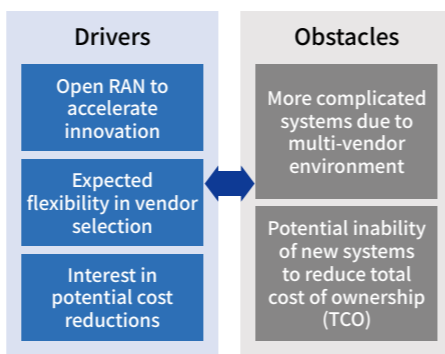
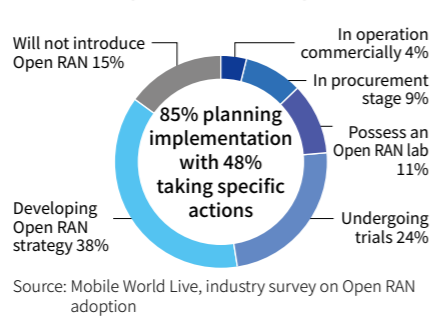
Traditionally, carriers have procured a complete set of telecommunications equipment from a single vendor. However, the establishment of various rules and standards related to base stations and their shift to open systems, coupled with improvements in hardware performance, have enabled global implementation of Open RAN, which makes it possible to procure equipment from multiple suppliers. Mobile operators have a strong desire to increase competitiveness and operate more efficiently by increasing the choice of telecommunications equipment, and therefore welcome the idea of more suppliers. At the same time, Open RAN comes with its own challenges. For instance, procuring telecommunications equipment from multiple suppliers could complicate systems, which raises the question of the real feasibility of cost reductions.

Globally, the overall RAN market is valued at roughly ¥3.5 trillion to ¥4.0 trillion. Over the period of 2022 to 2025, Open RAN is expected to grow within this market at an annual rate of 30% or higher, exceeding ¥1.0 trillion in 2025. With expectations on the rise, 85% of major telecom carriers have indicated their intention to adopt Open RAN in the future.

Trend in the Global Base Station Market



Status of Open RAN Development



NEC's Global 5G Business

Traditionally, NEC has focused on providing fixed-line and wireless telecommunications equipment for telecom carriers, operation support system (OSS) software for equipment management, business support system (BSS) software for customer support, and service platforms for end-users. We have captured the top position in Japan in the 5G market due to the wider range of solutions we offer compared to our competitors; our results, which show our ability to respond to customer needs; the robust nature of our products and solutions; and our track record of working with telecom carriers and industrial partners to create 5G use cases. Similarly, we are able to ensure that Open RAN 5G can function as a mission-critical solution that meets customer needs, and watch over the integration of Open RAN 5G into customer systems, a process that we consider to be our responsibility. This will make it possible to guarantee services under a multi-vendor system, as opposed to services dependent solely on NEC products. In terms of developing products for the global market, we have leveraged our track record in domestic business related to 5G with global-oriented companies such as NTT Corporation and Rakuten Mobile, Inc.

To address rapidly increasing communication traffic and expand business opportunities, we need to increase the operational efficiency of network equipment and both introduce and manage services with greater speed and efficiency. As a result, OSS and BSS have become increasingly important. Therefore, we are working with Netcracker Technology Corporation, which we acquired in 2008, utilizing its vast customer base and track record of implementing OSS and BSS to help leverage its products and others to conduct business in the global market.

Business Opportunities

- Commercialization of 5G services, with the potential to dramatically change both business and social environments
- Increased demand for Open RAN from mobile operators
- Increased demand for OSS and BSS

NEC's Strengths

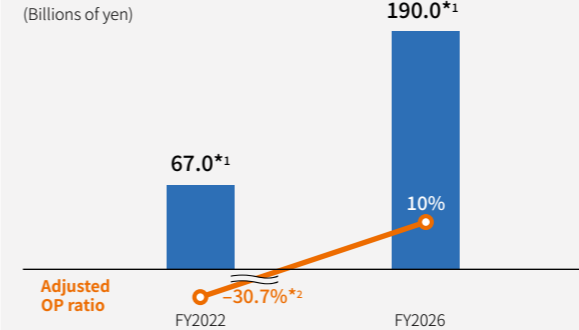
- Track record of providing a wide range of solutions, ranging from access to core and IT services
- No. 1 in Japan in terms of ability to respond to customers, reliability, and performance
- Ownership of Netcracker, which possesses a vast customer base and a track record of implementing OSS and BSS

Risks

- Market regulations and changes in the macro environment may delay the introduction of 5G services
- Efforts to introduce 5G in existing commercial projects may fail

Business Conditions

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio



Key Achievements in Fiscal 2022

- Shipped commercial Open RAN equipment, put equipment into use, and had our mobile core software selected as part of the full-scale launch of commercial 5G networks with domestic carriers
- Selected as a vendor by top European carriers based on evaluations of domestic performance
- Conducted 16 Open RAN trials, mainly in Europe, the U.S., and India, as well as other countries
- More than 30 business negotiations ongoing in Japan, Europe, the U.S., India, and other countries

*1 Above figures do not include NetCracker Technology Corporation.
*2 Excluding strategic expenses, operating profit ratio above segment (Network Services) level

Business Opportunities and Key Measures for the Medium to Long Term

1. Focus on customers that support Open RAN to expand market

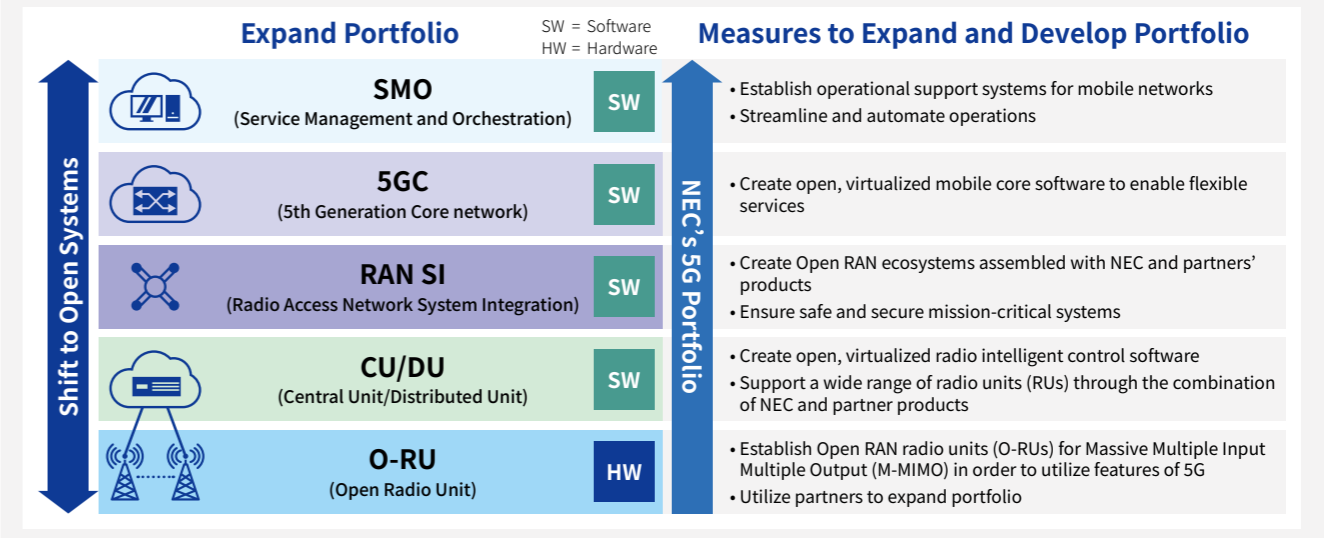
We intend to open the door to Open RAN projects and build a track record of results by strengthening our relationships with telecom carriers that are taking active steps to introduce Open RAN. Working together with customers and other vendors will help invigorate this market while helping us develop and expand the reach of our products. This will allow us to provide precise solutions that meet the expectations of our customers. We will also enhance our verification system and other relevant systems in global operation in order to ensure a rapid response to customers.

2. Expand 5G portfolio beyond hardware to include software and develop a recurring business model

We are expanding our 5G portfolio to include software in the areas of central and distributed units (CUs/DUs), 5th generation core networks (5GC), and service management and orchestration (SMO). We also consider it our responsibility to provide system integration (SI) services as part of our effort to offer an optimal solutions package. In addition, NEC's virtualization software technology will expand the domains where our general-purpose hardware can be utilized, which will make it possible to reduce costs while increasing trust with customers. These efforts will help achieve a shift toward a more software-focused business and higher profit margins.

3. Establish a global 5G business framework

In Japan, we are working to implement development and quality control for both infrastructure-related products that take full advantage of 5G's capabilities, and for advanced functions such as AI and machine learning that are set to become core technologies in the future. In addition, we are building a system for global development and production related to the Internet of Things (IoT) that can also be utilized by partners. This system is primarily being developed in India for the country's cost competitiveness and is aimed at IoT for use in production and ensuring connectivity. First, we will select and focus on customer bases in North America and Europe where Open RAN is being actively promoted, and expand from there. Establishing a system for promoting Open RAN early on and providing services to a large number of customers will help us secure a position as a key Open RAN vendor.



Core DX Business

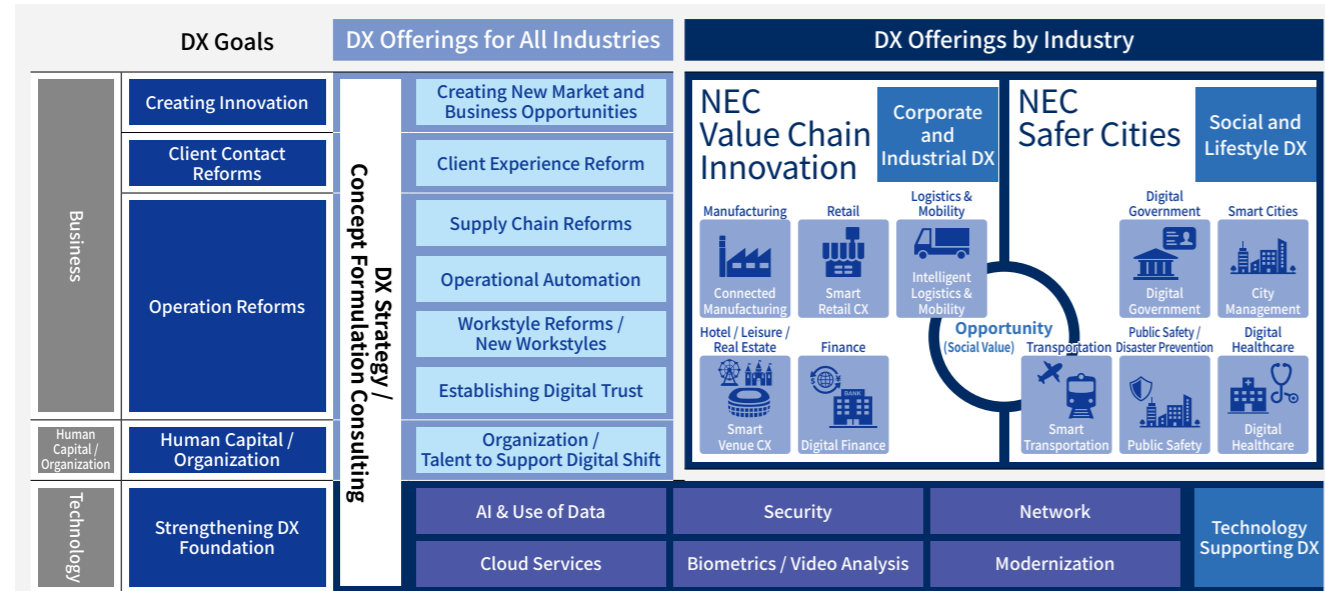
The conditions that affect society and companies change with each passing day, becoming increasingly complex and uncertain. This situation has made digital transformation (DX) increasingly important. DX is defined as “the process by which companies respond to rapid changes in business, using data and digital technology to transform their products, services, and business models based on the needs of customers and society, as well as to transform the business itself, the organization, processes, and corporate culture to establish a competitive advantage.” Recent years have seen DX permeate society and companies at an accelerated pace. This is due to changing business conditions, such as the rapid rise in collaboration between industries and active restructuring efforts across industries, as well as the evolution of technologies such as AI, IoT, and 5G networks. In addition, there is an increasing demand for end-to-end solutions that range from consulting to delivery. Framed in terms of seizing the future together, it is imperative that we present clearly what changes these technologies are supposed to elicit from society, how data is to be held and utilized, and how the systems we propose are crucial to this process. Moreover, we must include the negatives alongside the positives. Now, more than ever, we need to put forth an image of the future from the user’s perspective and outline what we need to do to make that image a reality.

NEC's Core DX Business

NEC's strengths lie in its efficient R&D and its high-quality implementation capabilities, which it has used to help develop social infrastructure and network platforms in Japan for many years. All of NEC's businesses are tied to DX in some way, so we naturally have a track record of providing DX solutions to customers in a wide range of industries. In addition, NEC utilizes itself as a testing ground to promote DX. This practice has a dual purpose. First, using our DX initiatives in-house increases competitiveness as a company, which means that, second, we become a powerful use case that we can show customers the efficacy of our cutting-edge offerings. In February 2021, NEC was named as a DX-certified operator by the Ministry of Economy, Trade and Industry, in recognition of its overall commitment to DX as shown in its vision, business strategy, and systems—making it the first company in the electronics industry to receive such certification. Now NEC is working to further enhance its human resources while increasing coordination with its powerful delivery capabilities.

These efforts include working with one of its Group companies, ABeam Consulting Ltd., one of the top consulting firms in Japan in terms of the number of consultants and sales, and establishing its own strategic consulting division.

Menu of DX Offerings



Business Opportunities

- Increased importance of DX
- Increased demand for end-to-end solutions that range from consulting to delivery

NEC's Strengths

- Efficient R&D
- High-quality implementation capabilities and a strong track record
- Abundance of resources, including the human resources and foundation provided by ABeam Consulting and in-house strategic consulting division

Risks

- A shortage of DX personnel that could lead to sluggish earnings growth

Business Conditions



Business Opportunities and Key Measures for the Medium to Long Term

1. Provide value via a comprehensive approach encompassing consulting to delivery

This strategy relies on a combination of the upstream consulting strength of ABeam Consulting, which operates on a domestic scale of approximately 5,000 consultants, enhancing NEC's own consultants through its DX personnel development program and utilizing these people in tandem with NEC's robust delivery capabilities. These one-stop services will help us support DX for society and companies. Moreover, this strategy will allow us to provide support across the entire life cycle of a customer, beginning with strategic consulting for customers, and thereby widening the scope in which we can generate value.

For more details on the development of DX personnel, please refer to page 49.

2. Develop and establish common ICT platform technologies and standardized offerings

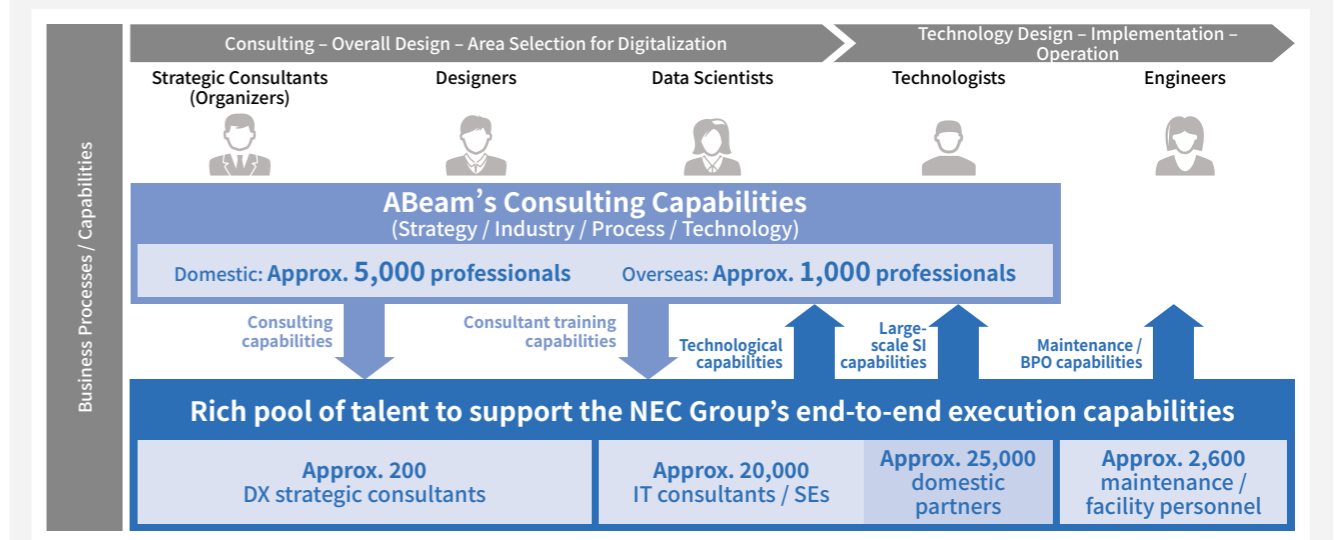
We will transition from solutions that were previously optimized individually by industry and customer toward a business that is optimized overall, driven by a common platform in the form of NEC's digital platform. This will enable us to provide value to our customers with a sense of speed. Our plan is to create a platform using NEC technology that will effectively facilitate DX for both companies and society with the idea that repeated usage will reduce costs. We also aim to improve price competitiveness by standardizing our solution offerings and setting prices based on value provided.

3. Increase competitiveness through hybrid IT

We intend to increase competitiveness by creating a hybrid IT environment through an optimal combination of cloud, data center, and on-site functions. This IT environment will be optimized to meet individual needs through the combination of NEC's own high-security multi-cloud and global strategic collaborations with AWS (Amazon) and Azure (Microsoft).

4. Lead the shift in society with DX

We will coordinate with government policy and utilize NEC's technologies, such as biometrics and AI, as well as our end-to-end implementation to support projects that will transform society. These projects involve the steady promotion of DX in domestic governments spurred on by the creation of the Japanese government's Digital Agency, construction of super cities, and infrastructure-coordinated mobility.



Creation of Future Growth Businesses

Looking to the future, the Mid-term Management Plan 2025 also calls for the creation of future growth businesses, in addition to digital governments, digital finance, 5G, and core DX. NEC's disruptive technology stands to upend the mainstream technologies of the current day. It is the basis of our efforts to create new businesses, and we will work with forward-looking customers in Japan and overseas and research institutions in Japan and abroad to commercialize the technology, applying the business development know-how we have cultivated in recent years. Our target business areas align with the layers of the NEC 2030VISION: environment, society, and life.

We plan to create growth businesses that will help realize the NEC 2030VISION, using our highly capable technology, overseas business models abroad, industry know-how, and collaborations with research institutions and venture capitalists as starting points.

Accelerating commercialization by integrating R&D and business development

Disruptive technologies

- Unique technologies that could disrupt current business models (privacy-preserving data analytics)
- Defense technologies (quantum cryptography, laser communication, etc.)

Inbound innovation

- Overseas business models and industry-specific know-how
- Collaboration with advanced customers, research institutions, and venture capitalists

New business development know-how

- dotData, AI-based drug discovery, and other new business development achievements
- Business development methods*1 utilizing internal and external capital

*1 Carve-out, M&A, spin-in/spin-out, crowdfunding

Specific examples of initiatives: 1) Healthcare and life-related businesses; FY2031 NEC healthcare business value (forecast): ¥500.0 billion*2

Deliver healthcare tailored to people's health conditions

AI-based analysis of endoscopic images; sales launch in Japan and Europe

Electronic medical records and ordering system

Leverage electronic medical records and ordering system

Monitoring and provision of advice based on gait conditions from insoles equipped with gait analysis

Visualization of health conditions and disease risks from minimal blood protein

Support personalized healthcare with science

Start of clinical trials on personalized neoantigen vaccines in 2019

Design of vaccines against the novel coronavirus

Living Life to the Fullest

- Overcome diseases
- Prevent illness
- Lack of want
- Mental and physical wellness

Healthcare industry: 33.0 trillion yen*3

*2 Calculated using both the comparable company method and the DCF method based on a target for 2030 (sales revenue of ¥100.0 billion)

*3 Source: Future Direction of the Next Generation Healthcare Industry Council (published by the Ministry of Economy, Trade and Industry, 2018). Market size is an estimate of the Japanese market in 2025.

NEC's Recent Efforts in the AI Drug Discovery Business

April 2022	<ul style="list-style-type: none"> • CEPI*4 partners with Japan's NEC Group to develop artificial intelligence-designed broadly protective betacoronavirus vaccine. • For more information on AI drug development, please refer to page 45. *4 Coalition for Epidemic Preparedness Innovations
	<ul style="list-style-type: none"> • NEC and Shionogi & Co., Ltd. enter into strategic research collaboration for novel hepatitis B therapeutic vaccine. https://www.nec.com/en/press/202204/global_20220418_01.html
November 2021	<p>NEC and Transgene announce positive preliminary data from Phase I studies of a novel individualized cancer vaccine, jointly developed using NEC's AI-driven neoantigen prediction system.</p> <p>https://www.nec.com/en/press/202111/global_20211123_01.html</p>

Specific examples of initiatives: 2) Businesses related to carbon neutrality

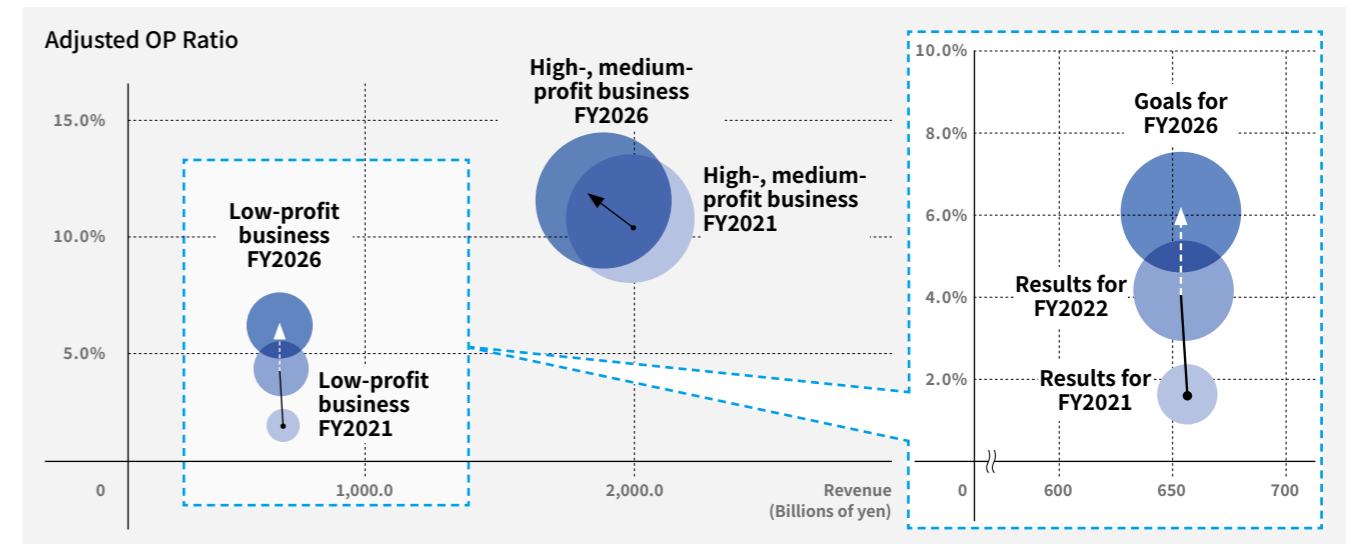
For more information on our businesses related to carbon neutrality, please refer to "2. Increase Contributions through Businesses" on page 57.

Base Businesses

To improve the profitability of our base businesses, we have set a hurdle rate for operating profit ratio and divided the businesses into categories. We are using this rate to conduct a Group analysis, after which we will clarify policies in response to the analysis and formulate individual plans accordingly.

For medium- and high-profit businesses, we will select benchmark companies and strive to overtake them in terms of operating profit ratio. As for low-profit businesses, we have formulated individual turnaround plans aimed at improving profitability. We are monitoring progress of these plans, taking resources from businesses that do not achieve their objectives, allocating them to key areas, and taking appropriate action in cases where recovering profitability is deemed unlikely. In fiscal 2022, we began this monitoring under the leadership of the CFO, and our adjusted operating profit ratio has since increased 2.6%. In fiscal 2023, we plan to ramp up these activities and optimize our business structure with actions that include downsizing some businesses and shifting resources, and we expect that our adjusted operating profit ratio will increase by more than 1% compared with fiscal 2022 as a result.

With these measures, we expect to reap the benefits of our improvement plan, complete the review of our business portfolio, and raise profitability up to our target level by fiscal 2026.



Low-profit Business Monitoring System

Strategy formulation

Implementation, evaluation

Reaping of benefits from our results

FY2021 2H

- Setting of hurdle rate
- Formulation of turnaround plan

- Implementation of investments to carry out plans
- Review of business portfolio
- Exit/Resource allocation from underperforming business to key segments

End of FY2026

- Achievement of target levels

Achievements in FY2022

- Improved adjusted operating profit ratio as a result of thorough monitoring led by CFO
- Transferred shares of NEC Energy Solutions

Initiatives in FY2023

- Ramp up efforts to optimize business structure, including downsizing some businesses and shifting resources

Financial Strategy

Enhancing Cash Generation Capabilities by Building Robust Financial and Non-financial Measurement Methodologies

We will continue to bolster our ability to create cash through growth strategies and management foundation reforms in pursuit of a business structure conducive to generating adjusted operating profit of ¥300.0 billion by fiscal 2026.

I Please refer to the CFO Message on page 36 for more details on our financial strategy.

Augment growth strategies

Shift from P/L management to management that also emphasizes capital efficiency

- Achieve investment returns beyond market expectations (capital cost)
- Continue activities to improve capital efficiency, such as CCC compression and reduction of cross-shareholdings

Capital allocation focusing on business growth

Respond to changing business environments without missing out on opportunities

Building of robust financial and non-financial measurement methodologies aimed at sustainable growth

- Maintain investment capability to respond to global competitors
- Reinforce non-financial measurement methodologies to underpin sustainable growth of the Company and society

Reinforcing Non-financial Measurement Methodologies to Underpin Sustainable Growth

Under the Mid-term Management Plan 2025, we are working to enhance our non-financial initiatives and to promote highly transparent disclosure of information centered on “materiality”—priority management themes from an ESG perspective. This will ensure we remain in ESG indices used for ESG investment. In fiscal 2022, NEC continued to be listed in global ESG indices such as the Dow Jones Sustainability Indices, the FTSE4Good Index Series, and the MSCI ESG Leaders Indexes.

I To view a list of ESG indices that include NEC, please refer to page 83.

“Materiality” in the Mid-term Management Plan 2025 (from fiscal 2022)

Key Themes (Materiality)	Main Initiatives	FY2026 KPIs	Results for Fiscal 2022
E Climate change (Decarbonization)	1. Acceleration of environmental management toward achievement of SBT**1 1.5°C by 2030 2. Contribution to CO ₂ reduction through customer DX	1. 33.6% reduction*2 (compared with FY2018)	1. 31.1% reduction*2 (compared with FY2018)
S Security AI & human rights Diverse human resources	1. Development of human resources in advanced security to handle social infrastructure 2. AI provision and utilization prioritizing respect for human rights	1. Doubling of internationally certified personnel 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles	1. Approx. 200 CISSP**4 certification holders (30% increase compared with FY2021) 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles
G Corporate governance Supply chain sustainability Compliance	1. Further improvement of transparency of corporate governance 2. Strengthening of collaboration with suppliers from a human rights/environmental perspective 3. Eradication of serious compliance incidents	2. Suppliers agreeing to procurement guidelines: 75%*3 3. No. of serious incidents: 0	2. Suppliers agreeing to procurement guidelines: 80%*3 3. No. of serious incidents: 0

*1 Science Based Targets *2 Scope 1, 2 *3 Ratio based on procurement amount *4 Certified Information Systems Security Professional

As part of an effort to confirm the impact of non-financial initiatives on financial performance, we employed “Digital ESG Data Analytics,” an ESG management support system provided by ABeam Consulting Ltd., to conduct an analysis examining the correlation between Price-to-Book Ratio (P/B) and non-financial indicators. In fiscal 2022, we analyzed 273 non-financial indicators that the NEC Group is working on from their fifth year of implementation to their tenth year and looked for correlations with the P/B. Based on our analysis, 25 indicators correlated with an increase in the P/B. For example, a 1% increase in the number of female department heads or higher, our indicator of diversity, would result in a 3.3% increase in the P/B after seven years. Continuing this analysis into the future will help us to identify non-financial initiatives that will lead to greater corporate value, to properly allocate investment toward these initiatives, and to review materiality as appropriate.

S For more details, please refer to “Analysis of the Relationship between Non-financial Indicators and Financial Indicators” on page 14 of *Sustainability Report 2022*.

Transformation of Culture and How We Work

We will aim to become a company that pursues innovation and brings together diverse human resources under the NEC Way as well as a company that is the preferred choice of employees.

To realize an engagement score of 50%, we will transform people and culture, establish a business infrastructure, and create a shared vision toward realizing a brighter future with customers.

Engagement Score FY2026 Target

50%*
(FY2022 35%)

* Based on the Kincentric Survey of a 50% score, which is a Tier 1 level result and in the global top 25 percentile

1. Transformation of People and Culture

We will proceed with the transformation of people and culture by emphasizing our key initiatives of accelerating diversity, which serves as a source of innovation, and advancing workstyle reforms in order to provide a better workplace for a diverse array of individuals.

I For more details, please refer to page 46.

2. Establishment of Business Infrastructure

Contrary to our previous structure through which various initiatives were carried out by our respective departments, our new Transformation Office has been established under the direct control of the CEO. The Transformation Office will be tasked with managing business process reforms, financial system reforms, and the Group-wide IT system, while serving as the nucleus for our promotion of reforms in the three domains of business processes, systems, and IT systems.

In regard to our IT systems, we will proceed with cloud transformation of the NEC Group's core system, the redesigning of business processes and systems in unison with IT, and the revamping of our data-driven management.

3. Creation of a Shared Vision for a Brighter Future with Customers

As a market leader, we believe that it is our responsibility to create a shared vision for a brighter future with customers by actively communicating our future vision to customers and society as a whole. By doing so, we will look to create new value.

To achieve NEC's Purpose, we must harness the power of digital technology and work with our multitude of stakeholders to seize the future together. This will make the NEC 2030VISION, the embodiment of our Purpose, a reality for the future. To this end, we are ramping up our Thought Leadership activities in order to boost our ability to offer solutions to society.

In April 2022, we invited Ms. Kumi Fujisawa, who has been active in an external think tank, to serve as chairperson of the Institute for International Socio-Economic Studies (IISE), a think tank run by NEC. In July of the same year, we also brought astronaut Mr. Soichi Noguchi on board as an executive chief fellow. (https://www.i-ise.com/en/about/about_top.html)

We will use this think tank and other means to conceive and communicate an idea for a future that captures the imagination of society. In doing so, we will attract a group of like-minded people who will form a market around this idea, and then, through co-creation, verification trials, and ultimately business creation, we will begin implementing this idea in society.

Initiatives under the Current Mid-term Management Plan

- Cloud transition of Companywide mission-critical systems (HR, procurement, etc.)
- Integrated redesign of processes, systems, and IT
- Enhancement of data-driven management (AI utilization, data structure optimization)

Full-scale Launch of Thought Leadership Activities

- Refine our future vision based on social/market insights
- Disseminate social system innovations
- Strengthen general research capability and collaborate with other thought leaders

Communicating social system reform

Hitoshi Imaoka
NEC Fellow

Eiki Momotani
NEC Managing Executive

Combining humanities and science to enhance AI ethics

Enacted April 2019

- Legal and social acceptance
- Research in AI security technology
- Liveness/fraudulent image detection
- Privacy protection learning
- Universal learning

Enhanced functions for highly effective proposals beyond industry borders

- Newly established Thought Leadership Department
- IISE Chairperson Kumi Fujisawa invites Soichi Noguchi to serve as executive chief fellow

Kumi Fujisawa **Soichi Noguchi**

Open co-creation and standardization

- Rulemaking Strengthen global collaboration by utilizing data
- Promote global co-creation with universities

Creating New Social Value through KMD Digitalization

As governments around the world focus their attention on digitalization, NEC acquired KMD Holding A/S (KMD), one of Denmark's largest IT companies, in December 2018. KMD has overwhelming strengths when it comes to providing solutions for government and local public institutions, such as those involved with social security, taxes, policing and defense, as well as financial institutions and city infrastructure. We asked three members of KMD to talk about the advantages of the company, to give us an update on its collaborations with NEC, and to tell us about what the future holds in terms of the digitalization of government and society.



Hans Jayatissa

Hans

KMD
Lead Digitalization Officer

Ditte Haugaard Clausen

Ditte

KMD
Lead Sustainability Officer

Malte Højmark-Bertelsen

Malte

KMD
Head of AI and NLP (Natural Language Processing)

Q. What made you want to work for KMD?

Hans

If you include my previous employment, I have been involved with digitalization in the public sector for almost 30 years. In my previous position I was involved in setting up several core systems for the government and introducing new digital technology into the public sector.

KMD saw my involvement in public sector digitalization and reached out to me with perfect timing, just as I was really starting to feel like I wanted to do something that had more social significance. The reason I like working for KMD is that its IT systems give people more access to social security and other benefits of the public sector; their business helps society.

Malte

Over my career I have been driven by the idea of using technology to benefit society, and I decided to join KMD because I was convinced that KMD has a unique ability to help actualize that idea. I am currently involved in developing solutions for the public sector that utilize AI. We are using the power of IT to improve operations in the public sector, which optimizes society as a whole and creates a better life for all people. The fact that we are developing technology and software that provides major value for society, and the knowledge that our work directly benefits society, are the most appealing points about working at KMD and give me great motivation.

Ditte

KMD is a well-known and trusted company in Denmark, thanks to its earnest efforts to help digitalize the public sector. I was interested in using my area of expertise, communication, to help KMD express how digitalization could help support the green transition, since this connection is still not entirely clear to society.

Q. Denmark is ahead of the curve when it comes to digitalizing the public sector. How has KMD contributed to this success?

Hans

I think there is a mix of factors.

First is the fact that the effort was led by the government itself, via two state-owned IT companies that have since

gone private. In fact, one of these companies was KMD. The government initiated its digitalization efforts in 1968 by introducing a unique ID for every citizen. Denmark is a country with a small population, meaning there are few civil servants, and higher personnel expenses. This makes it difficult for administrative work to proceed smoothly, but this problem can be solved by IT. The Ministry of Finance was key to this transition and pushed government agencies to digitalize to ensure that no citizens would be left behind.

The second factor ties in to Ditte's point—trust. People in Denmark tend to trust their government and public sector institutions. This trust, or the lack of it, is the biggest barrier to digitalization in countries like Japan and Germany. Yes, they have central registries, but trust is still lacking. Despite the high tax rate, Denmark has a strong welfare system that is grounded by the idea of fair distribution for all. It is exactly because of this social infrastructure that there is mutual trust between the government and its people.

Ditte

In addition to trust, the high level of education, good Internet access, and politicians who envisioned a digital society all played a part.

When digital technology was not commonplace, KMD already had a great deal of technological strength and knowledge. It took advantage of both to make an active effort to advise public organizations on matters of policy making for digitalization. To this day, we are still a member of a large trade organization and offer regular advice and other essential drivers of digitalization.

Hans

In addition to taking advice from the industry in general, the government will also turn to KMD for opinions on new systems and drafts for regulations regarding digital technology. Feedback from the industry (and us) then gets reflected in tenders for new systems as well as regulations or legislation.

In addition, KMD has also provided the government with solutions such as a citizen portal site and digital mailboxes. The government has since taken over these services, but these ideas devised by KMD have formed the basis of Denmark's digital social infrastructure.

When building a system, usability is of the utmost importance. For instance, the portal was designed so that

NEC's Business Model

Employee Roundtable: Creating New Social Value through KMD Digitalization

necessary information could be accessed within three clicks and sections are ordered and displayed by frequency of use.

One notable case in recent times is the MyHealth app, which was updated to become much easier to use during the COVID-19 pandemic. The app is linked with a person's national ID, so it can be used to receive and display COVID test results quickly. Since this app needed to be useable by all citizens in a short amount of time, KMD placed a particular focus to make it easier for elderly people to use.

Malte

We are also transparent about personal information protection, which is one of the biggest roadblocks when promoting digitalization. For example, the law stipulates who can access personal information and under what conditions, and you can see who has access to your personal information and why. It is also possible for a person to choose not to disclose their address or personal information for whatever reason. I believe that making these considerations and properly informing people about how their personal information is handled has served to break down these roadblocks and accelerate our drive toward a digital society.

The key to future services is "usability," as Hans pointed out. We recognize that KMD needs to create software that is intuitive and easy to use, since that is what spreads the use of digital solutions.

Q. What matters of interest do you see going forward, and how do you address them?

Hans

I think the next big digitalization driver is the transition to a green society. To create this new society, we will need to make full use of IT in roles that include managing power production and consumption while also working to move away from our dependence on fossil fuels. That is one major area where we should focus our energies over the next 50 years. We also still have yet to resolve the issue of too few civil servants in the public sector, so we need to use IT in these fields to automate and increase operational efficiency further.

Malte

As things are now, there are several examples within public institutions that require work to be checked in ways that require many people doing repetitive, manual tasks. We could use KMD's various technologies to tackle this issue and others like it, and improve efficiency by leaps and bounds.

Ditte

Like Hans said, our next task is supporting the transition to a green society. KMD prides itself on its digitalization capabilities, especially when it comes to understanding electricity and water consumption and similar information. We already manage and analyze data for a large portion of

electricity and digital water meters, and we already have solutions to optimize consumption ready to go. Current regulations impede our ability to take advantage of these services, but the technology has already been developed and has been proven to actually reduce consumption by 10% to 15%, so we will keep ramping up our efforts to create a sustainable society.

Hans

I expect great things to come out of our work with NEC, particularly in promoting the transition to a green society. NEC's advanced sensors, digital twin platforms, and AI-related strengths, all of which are an integral part of energy management, synergize well with KMD's solutions and data. Together, we have succeeded in developing AI and platforms that contribute greatly to this green transition.

Q. What effect would you like digitalization to have on Denmark as a country?

Hans

The ideal society would be one where digital technology is a natural part of people's lives that makes things more efficient by helping them make the right decisions at the right time. To put this in the context of a green transition, making IT a part of people's lives will make it possible to consume water and electricity in a way that is easy, efficient, and requires less of a conscious effort, and that will help drive efforts across society.

Ditte

I would like us to create a "smart" society, with humanity at its core. It would be a great thing if AI and robots could handle routine or simple tasks—anything that could be automated—so that we could concentrate on coming up with new ideas and communicating with one another, the sorts of things only people can do.

I would like Denmark to be a country that is highly flexible when it comes to energy use, and one that is driven by 100% renewable energy. I want KMD's solutions to help make Denmark a trailblazer in these efforts.

Malte

I completely agree with Ditte and Hans. I want Denmark to become a flexible country that takes advantage of new

technologies as a way to resolve problems in every area. I also believe that if we move the public sector toward data-driven operations, we will become more effective and produce better results, and this applies to sustainability too. KMD has a wealth of technology that will help Denmark become a better society, so I would like to appeal to the country to take advantage of it more.

Q. What are your expectations of NEC?

Hans

KMD and NEC are good partners that share the same vision of the society that we would like to create. Together we can create and offer overwhelming services, incorporating KMD's knowledge and products with NEC's R&D capabilities and global network. A good example of this is one of KMD's key products, WorkZone, a flexible document and process management system that can be configured to meet the regulations of markets where it is implemented. This product has already been proposed to customers in Singapore, Japan, and Australia through NEC's global network. We would like to enhance our alignment with NEC so that more citizens around the globe can benefit from KMD's products.

Ditte

"Trust," as we have borne in mind over the years, is essential when you are involved in digitalization of government and society. Likewise, mutual trust is indispensable between KMD and NEC. NEC is highly regarded by society not only for its technological expertise but also because of the trust that NEC has earned over the years, something that is embedded in its corporate philosophy. This trust is something KMD values as well, and we will make the utmost effort to maintain this trust together.

Malte

KMD and NEC working hand in hand could create a digitalized society in a more sophisticated manner than they could on their own. On the journey toward becoming digitalized and data-driven, advice from NEC from a technological perspective could be a key factor. We would like to harness the synergies that arise from our great partnership to create more useful and innovative services to better benefit society.



CFO Message

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

Osamu Fujikawa

Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)

Maximizing Long-term Profit, Optimizing Short-term Profit

The Mid-term Management Plan 2025, which covers the period from fiscal 2022 to fiscal 2026, is driven by fundamental policy in which we gear our business activities toward generating cash, our source of growth, and then allocate capital to maximize long-term profit while optimizing short-term profit. This will create a profit cycle that will increase corporate value. We have also set indicators to measure achievement. For one of these indicators, EBITDA, we have set a target annual growth rate of 9%. To raise capital efficiency, we have adopted ROIC as an indicator and set our fiscal 2026 target at 6.5%. Beyond the financial aspect, we have established a policy for enhancing our non-financial measurement methodologies and will therefore invest in non-financial areas as part of our commitment to increase corporate value, and to do so in a sustainable way.

In fiscal 2022, the first year of the plan, we were hit by component shortages, but even so, we managed to increase revenue thanks in part to the expansion of our growth businesses as a result of increased shipments of 5G base stations, our collaborative work with ABeam Consulting in core DX, and other factors. While we made vast improvements to our operations, the impact from component shortages, higher

strategic expenses, and a drop-off in one-time profits from fiscal 2021, among other negative factors, led to a decrease in adjusted operating profit of ¥7.2 billion from the previous fiscal year. On the other hand, we broke our record for adjusted net profit attributable to owners of the parent for the third consecutive year due to a decrease in tax expenses. In light of these results, and based on forecasts made at the beginning of the fiscal year, we paid an annual dividend to shareholders totaling ¥100 per share, reflecting a ¥10 increase.

In fiscal 2022, we reached our initial target for adjusted operating profit under the plan. In addition to reaping the benefits of investments made over the three years of the previous mid-term management plan, we aim to maximize long-term profit and optimize short-term profit through investments, with a view to long-term and meticulous business management. I believe this two-pronged approach has set a virtuous cycle in motion. By keeping this cycle moving, we can show that we have moved away from a company whose plans end unfulfilled to one that does what it says it will do. I for one want this to happen, and for us to win back the trust of the market.

Generating Cash for Strategic Investment

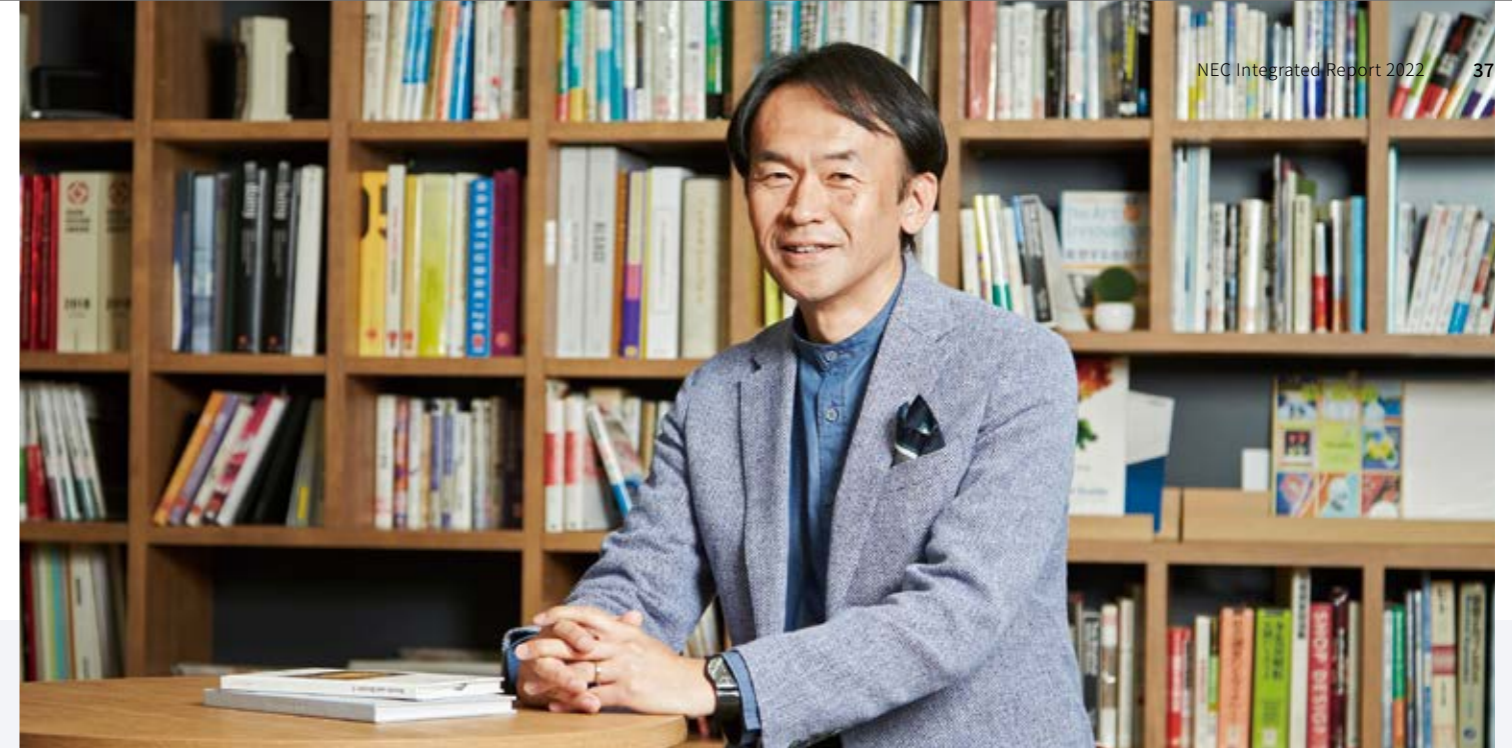
Over the course of fiscal 2022 to fiscal 2026, we intend to generate cash flows from operating activities amounting to ¥1.3 trillion. Our policy is to secure a certain amount of surplus in order to avoid missing out on investment opportunities, and to pounce on the right opportunities when they arise.

The shortage of parts and materials, which manifested around the summer of fiscal 2022, had a negative impact on business results, but thanks to Companywide efforts, we were able to limit the negative impact on operating profit to ¥8.0 billion. On the other hand, the strategic increase of our inventories conducted in response to these shortages resulted in a year-on-year drop in free cash flow of ¥68.3 billion, to ¥84.1 billion. In fiscal 2023, we plan to generate revenue amounting to ¥18.0 billion by bringing our inventory back to normal levels on the assumption that the shortage of parts will subside.

We will maintain appropriate control over temporary factors such as this shift in inventory as we continue to expand growth businesses, improve the profitability of base businesses, increase asset efficiency, and convert our assets to cash in line with our fundamental policy. This will generate the cash we need.

Generating Cash by Improving Base Business Profitability

As CFO, I keep a close eye on low-profit businesses in an effort to improve the accuracy of our annual plans for base businesses. We have set an operating profit ratio of 7% or higher as a hurdle rate to determine which of these businesses should continue. As a first step to helping these businesses over this hurdle, I will sit down with the relevant business unit and hammer out a plan, and then implement measures for



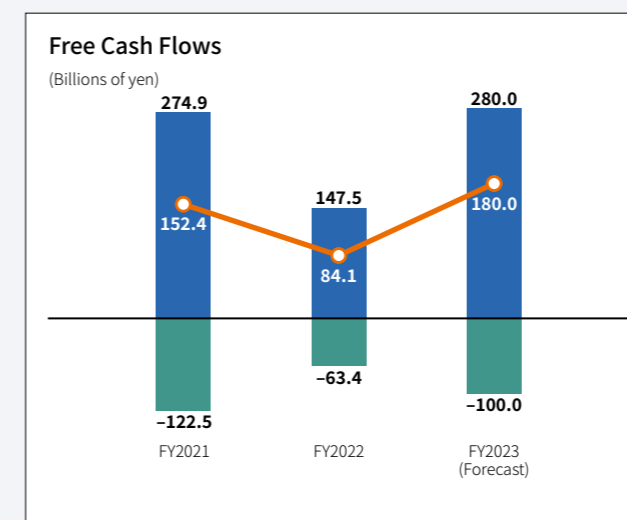
improvement. If a business cannot reach this hurdle rate by fiscal 2026, we will explore other options, such as reorganizing our business portfolio. Thanks to the work we have put in to date, we have steadily raised the profitability of NEC as a whole; and in fiscal 2022, we improved the adjusted operating profit ratio of low-profit businesses by 2.6%. In fiscal 2023, we plan to improve this ratio by a further 1% by stepping up these measures and optimizing our business structure, which will include downsizing some businesses and shifting resources.

Generating Cash by Improving Capital Efficiency

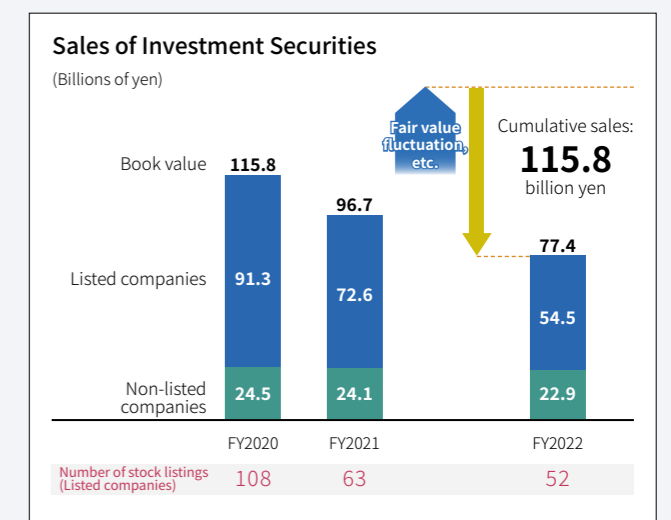
Since the previous mid-term management plan, we have engaged in activities to shorten our cash conversion cycle (CCC), which is ultimately an effort to improve capital efficiency. As a result, we reduced our CCC by 12 days over the course of two years, from 72 days as of March 31, 2019 to 60 days as of March 31, 2021. As of March 31, 2022, this number has rebounded to 66 days, but this is due to our decision to strategically increase inventories that I alluded to earlier. If we exclude this extenuating circumstance, we actually shortened our CCC even further, to 58 days. Until fiscal 2021, corporate headquarters had a hand in efforts to improve NEC's CCC, but in fiscal 2022, the leaders of each business unit proceeded with their efforts and

achieved improvements with autonomy. I believe the heightened awareness of capital efficiency coupled with cultural reforms is steadily building up our execution capabilities.

This is important because, under the Mid-term Management Plan 2025, we are transitioning from profit and loss-centered management to management that emphasizes capital efficiency. ROIC is generally the go-to indicator for measuring capital efficiency, but in addition to ROIC, we will emphasize various other efficiencies relevant to business activities such as the efficiency of human capital and production. However, if we place too much emphasis on efficiency, we will restrain top-line growth in growth businesses and new businesses. Therefore, instead of monitoring efficiency throughout NEC with a one-size-fits-all approach, we will adopt a long-term perspective and expand the range of indicators we can apply to each business in order to match its specific nature. As an example, for fiscal 2023, we will set management indicators such as free cash flow or EBITDA, which are best-suited to each business, and then build logic trees for these businesses to determine key performance indicators (KPIs) that will play an integral role in formulating plans and steering operations for fiscal 2024.



■ Cash flows from operating activities ■ Cash flows from investing activities
○ Free cash flows



Number of stock listings (Listed companies) 108 63 52

// We will maintain an appropriate surplus for strategic expenses and investments, and invest when the right opportunity arises. //

We are working to build an understanding of capital costs among division general managers to ensure this strategy works effectively. Profit is undoubtedly important. The idea here is to have a shared understanding throughout NEC that, as a company, we have an obligation to the capital market and financial institutions to generate profit that exceeds capital costs—in fact, this duty is how NEC is able to exist—while also using the targets set for fiscal 2024 as a means to further improve capital efficiency throughout the Company.

► Generating Cash by Converting Our Assets

In April 2020, we set guidelines for eliminating cross-shareholdings. This, coupled with our transition to the Prime Market segment of the Tokyo Stock Exchange, means

that we have an even greater obligation to justify whatever cross-shareholdings we have in our possession. These shares are subject to comprehensive annual review by the Board of Directors, in which the Board clarifies the strategic value of each holding and considers the returns in terms of capital costs and other perspectives. If the Board accepts the rationale for a holding, it is kept; if not, it is sold. In fiscal 2022, we sold shares in nine stock listings worth ¥19.5 billion. Compared with fiscal 2020, or over the course of two years, we have reduced our cross-shareholdings in listed companies from 108 to 52.

In addition to cross-shareholdings, we are actively monetizing available-for-sale non-core assets so that we can allocate these funds to growth areas and areas that can generate synergies.

Capital Allocation

We plan to allocate cash generated by the measures I have mentioned toward strategic expenses, which will increase corporate value and help maintain a surplus for future investments. We will then seize opportunities to actively invest in growth drivers and fields when they appear. As for our financial structure, we improved both our owners' equity ratio and net D/E ratio, and over the medium term, we aim to maintain the financial structure applied as of March 31, 2021, a structure that afforded us an upgrade by credit rating agencies. Regarding dividends, our basic policy is to maintain stable dividends with a target payout ratio of roughly 30% on average over a five-year period.

In addition, we have made the decision to acquire treasury shares amounting to ¥30.0 billion over the course of August 30, 2022 to March 31, 2023. This decision was made to send a clear message to the market after a comprehensive assessment of stock prices relative to our improved financial structure and outlook. Altogether, we will adhere to our basic policy for capital allocation in which we prioritize investment opportunities for growth and provide returns to shareholders under the

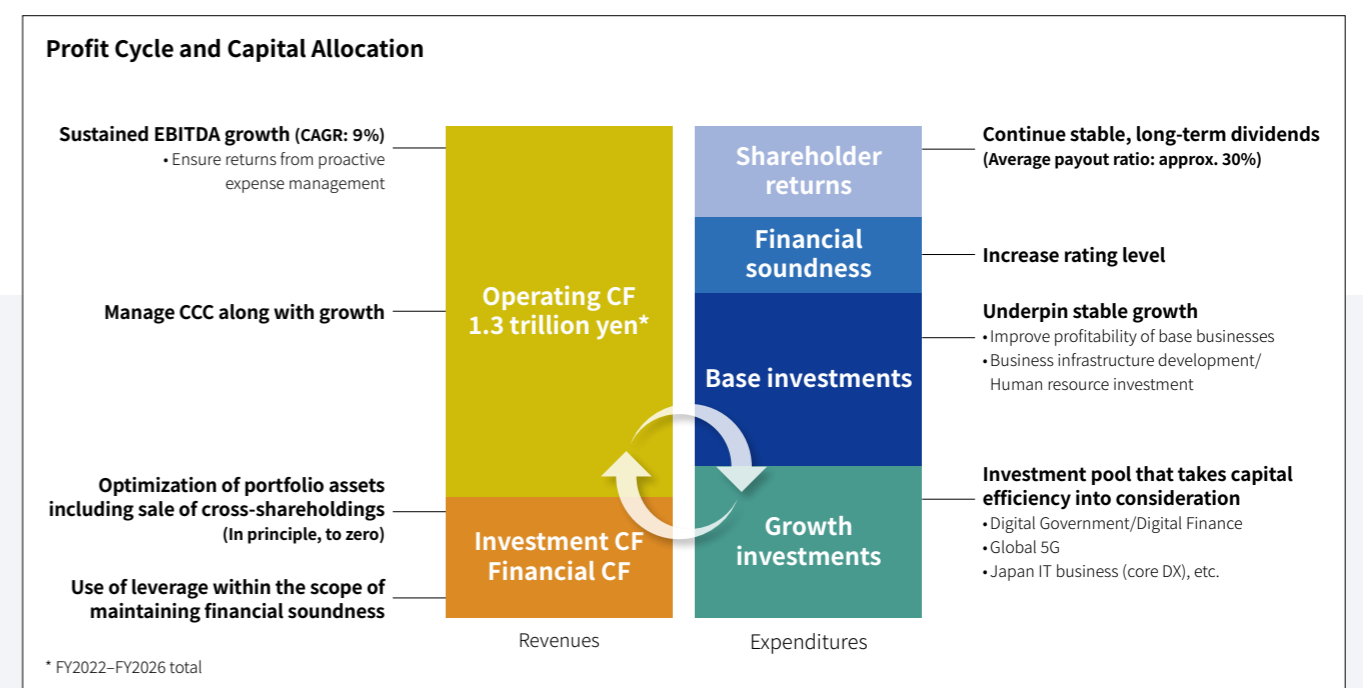
forementioned dividend policy and via capital gains achieved by higher earnings and the corresponding increase in corporate value.

Our basic policy for strategic expenses is to make investments from cash flows from operating activities in growth businesses while improving the profitability of existing businesses; this includes active investment in the business infrastructure and human resources that support it. In fiscal 2022, we made a balanced investment of ¥73.0 billion toward these strategic expenses, an increase of ¥26.0 billion from fiscal 2021. The announcement of these planned investments was met with a negative response in the stock market, since the increase caused our performance to fall below our plan for the fiscal year. To avoid this from happening again in fiscal 2023, we will use the strategic expense amounts from fiscal 2022 as our baseline; and if we make increases in an investment for a particular segment, we will only do so within the scope of profit improvements in that segment. This will help us manage these expenses and ensure that we do not dampen our performance.

Non-financial Strategies for Enhancing Corporate Value

Year after year, as social issues become increasingly complex and the demand for disclosure becomes increasingly strong, the importance of management based on integrated thinking is becoming increasingly important. There is a call to go beyond disclosure of non-financial information at the request of

external parties, and to also provide non-financial strategies that both show a clear link to the financial aspect of a company and offer a logical explanation of how the strategies will improve corporate value in a sustainable way. In response, we are employing external evaluations and discussions held by



the Sustainability Advisory Committee, which was established in 2022, to identify and correct any deficiencies in our disclosure and to make our explanations more logical. We are also working with Group company ABeam Consulting to conduct

a causal analysis between indicators of corporate value and non-financial data and initiatives. I would like NEC to analyze and utilize non-financial indicators as part of data-driven management while we continue to accumulate data.

Financing as Management for Sustainability

In July 2022, NEC issued Japan's first sustainability-linked bond with three maturities via a public offering in the domestic corporate bond market. The issuance of the bond is an example of NEC using financing to show its strong commitment to one of its material issues (materiality), "environmental action with

a particular focus on climate change (decarbonization)." These SDGs-based financing initiatives are the NEC Group's "Purpose" put into practice, and provide a way for us to engage in dialogue and co-creation with a variety of stakeholders related to our management of sustainability initiatives.

Final Remarks

In fiscal 2023, we intend to increase revenue by 3.8%, with this increase centered on growth businesses. Taking into account the additional profit from increased sales, we have also forecast an adjusted operating profit of ¥185.0 billion. Although the business environment remains uncertain due to factors including the restricted supply of components and yen depreciation, we will maintain a steady course by capitalizing on the robust demand for DX and making full use of our ability to respond to situational change. In addition, we have disclosed our earnings forecasts for fiscal 2023 on a non-GAAP basis. This is due to the fact that NEC's senior management emphasizes non-GAAP-based indicators that include Purchase Price Allocation (PPA) amortization to measure underlying profitability.

We are in a time marked with instability and an inability to predict future business conditions. It is becoming less tenable

for companies to survive based on what worked in the past. This, however, also upends the competitive environment, making it easier for new opportunities to arise. With the digitalization of processes and other areas and the accumulation of data, NEC is primed to harness its technological assets—its AI, its security technology, and its engineering capabilities—to expand the areas where it can generate social value to a significant degree. Our AI drug development business symbolizes this perfectly, as a field that no one could have imagined in the past, and one that NEC had never been involved in previously.

Looking ahead to the NEC 2030VISION, we will combine NEC's strengths and provide value to society. By doing so, we hope to achieve the goals of the Mid-term Management Plan 2025 and make sustainable improvements to corporate value.

NEC's Business Model

Innovation: R&D and Business Development

We believe that a key component to realizing the NEC 2030VISION in a VUCA* world, that is both complex and difficult to predict, is the idea of “seizing the future together,” multiplied by “technology.”

To this end, it is important to implement technology in society, which requires a scheme for market intelligence, development of technology, development of business, and acceptance within society.

Therefore, NEC is working toward R&D co-creation, expanding open innovation, and venturing into new domains to create businesses that can impact society.

* Acronym for volatile, uncertain, complex, and ambiguous

In Search of Social Value Creation—The NEC Technology Vision



Digital twins for co-creation and trials of the future

Promote visualization and modeling to power AI-driven simulations on a global scale that will simultaneously help develop society, protect the environment, and support the well-being of individuals

AI that works with people and permeates society

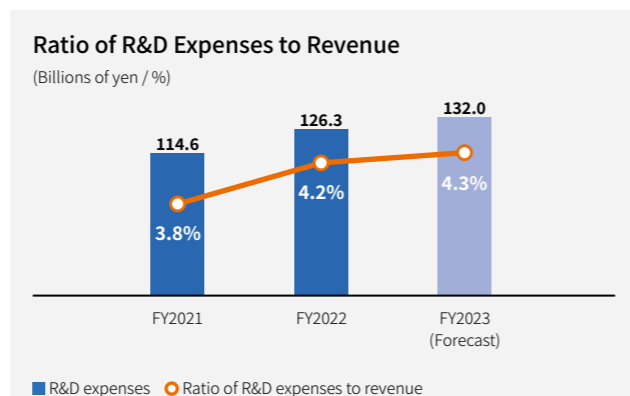
Work toward AI that serves as a partner close to people's lives, draws out their full potential, and feels safe and secure to interact with

Platform to support environmental friendliness, high reliability, and high efficiency

Provide environmentally friendly and sustainable infrastructure through integrated optimization that includes applications, IT and networks, while also offering high reliability via security and data protection technologies

Approach to R&D Investment

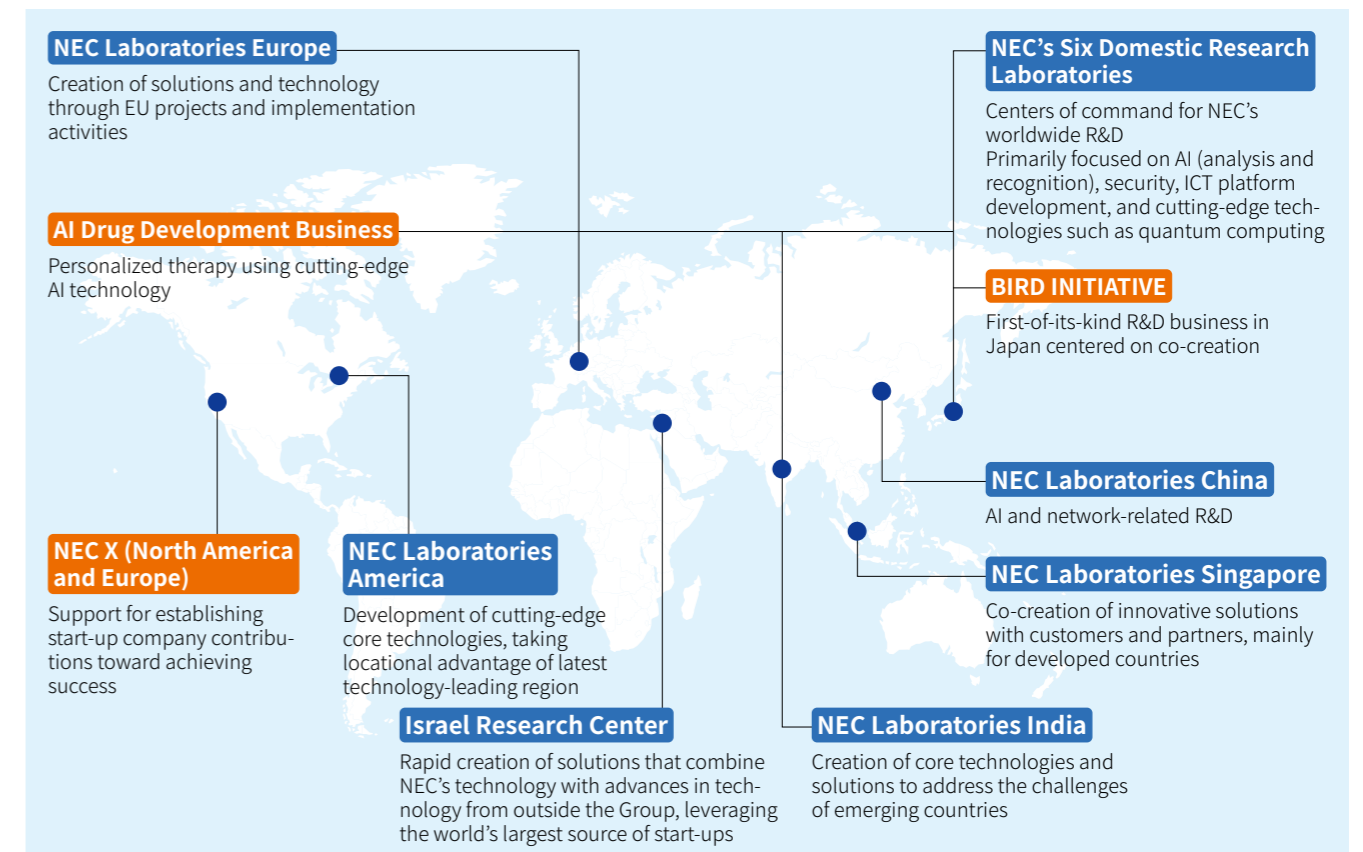
We allocate approximately 4% of revenue to R&D in order to maintain and improve our R&D capabilities over the medium to long term, independent of any external trends.



Human Resources—The Source of Innovation

Our R&D and Business Development System for Global Human Resources—The Creators of Innovation

NEC's research laboratories are responsible for research and development that is geared toward strengthening the technological competence of the NEC Group. These laboratories adopt a global perspective, working with locations and other research laboratories around the world to conduct R&D that can create new social value and open up possibilities for the future.



Human Resource Acquisition and Cultivation to Boost Innovation

Introduction of the Selective Compensation Program for Professional Researchers to Attract Top Young Researchers	<ul style="list-style-type: none"> Provides researchers with compensation according to their market value, with no upper limit Launched program in fiscal 2020 in Japan and extended it to applicable new graduates during recruitment activities in the U.S. Total number of researchers acquired: 22
Continued Enhancement of Our Acquisition of Excellent Talent from India and Other Countries	<ul style="list-style-type: none"> Have engaged in recruitment activities at India's prestigious Indian Institutes of Technology (IIT) since 2012 Part of our continued efforts to keep acquiring top talent from around the world
Internal Side Business System (within Global Innovation Unit)	<ul style="list-style-type: none"> Implemented system to accelerate integration of R&D and Business Development divisions Aimed at developing human resources who are highly skilled in both technology and business
System for Highly Skilled Business Development Professionals	<ul style="list-style-type: none"> High-risk, high-return system providing highly skilled business development professionals with benefits based on their market value Established the new position of Executive Analytics Consultant Lead for data-driven DX-related business in fiscal 2022, in addition to AI drug professionals

NEC's Business Model

Innovation: R&D and Business Development

High Technological Competitiveness on the Global Stage

Artificial Intelligence		
Machine learning: Number of papers accepted by leading international academic conferences ¹ 8th in the world	Video and image processing: Number of papers accepted by leading international academic conferences as of December 2021 ² No. 1 in Japan	
Communication ³ and Security ⁴		
CRYPTO2019, the leading international academic conference on cyber security Best Paper Award	Optical communication: Acceptance of papers by leading international academic conferences 45 consecutive years	
Patents		
Top 100 Global Innovators ⁵ global survey of patent activities Selected for 11 consecutive years	Facial recognition: Number of international patent applications ⁶ No. 1 in the world	Biometrics authentication, video analytics, AI: Number of international patent applications ⁶ No. 1 in the world

¹ NeurIPS, ICML, KDD, ECML-PKDD, ICDM
² CVPR, ICCV, ECCV, ACCV, ICPR
³ Communication: OFC/ECOC
⁴ Security: ACM, CCS, Eurocrypt, IEEE S&P, etc.
⁵ Top 100 Global Innovators: <https://clarivate.com/top-100-innovators/>
⁶ Number of international patent applications: Cumulative number of applications since 2001 (NEC Corporation)

World's No. 1 Biometric Authentication Technology

Beyond facial recognition, NEC boasts world-class biometric technology for key biometrics such as iris and fingerprint recognition.

Ranked No. 1 in benchmark testing conducted by the National Institute of Standards and Technology (NIST)¹

Facial Recognition	Iris Recognition	Fingerprint Recognition
No. 1 in the world	No. 1 in the world	No. 1 in the world
FRVT (2019) Ranked first in FIVE (2017) Face Recognition Vendor Test (FRVT) (2013) Ongoing: August 2021 ² and January 2022 ³	IREX 10 (2021) IREX IX (2018) (Iris Exchange IX)	MINEX (2016, 2006) PFT/PFT II (2013, 2009) FpVTE (2012, 2003) SlapSeg (2004) ELFT (2007)

NEC Rated No. 1 in the World for Biometric Solutions Business
Latest survey by research firm Frost & Sullivan (2020 Global Biometrics in Security Market)



¹ NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.
² Ranked No. 1 by NIST for FRVT Ongoing 1: N Identification (Aug. 2021) Identification (T>0) under the category Gallery: Mugshot; Probe: Mugshot; N=12,000,000 as well as the category Gallery: Border; Probe: Border ΔT ≥ 10 years; N=16,000,000
³ Ranked No. 1 by NIST for FRVT Ongoing 1: N Identification (Jan. 2022) Identification (T>0) under the category Gallery: Mugshot; Probe: Mugshot; N=12,000,000, as well as the category Gallery: Border; Probe: Border ΔT ≥ 12 years; N=3,000,000 and the category Gallery: Mugshot; Probe: Mugshot; N=12,000,000

AI and Human Rights Principles

NEC has formulated the NEC Group AI and Human Rights Principles (hereinafter referred to as the "Companywide principles") to guide our employees to recognize respect for privacy and human rights as the highest priority in our business operations regarding social implementation of AI and utilization of biometrics and other data (hereinafter referred to as "AI utilization"). In addition to facilitating compliance with relevant laws and regulations around the globe, the Companywide principles will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations regarding AI utilization and enable them to take action accordingly.

For more details, please refer to the "AI and Human Rights" section on page 64 of *Sustainability Report 2022*.

Intellectual Property Policy

NEC leverages its intellectual property to increase competitiveness, create new businesses, and enhance corporate value.

- NEC focuses its intellectual resources toward growth businesses and areas that will serve as pillars of growth in the future. We are working to build an intellectual property network linked to NEC's technological strengths and utilize it extensively.
- NEC utilizes its intellectual property to support co-creation of new businesses and technologies with stakeholders.

For more details, please refer to the "Innovation Management" section on page 77 of *Sustainability Report 2022*.

Concentration on Focus Areas (Percentages indicate focus area allocations)

- Patent applications: 45% of all applications (fiscal 2018) → 74% (fiscal 2022)
Scope: NEC Group patent applications filed in Japan and directly filed Patent Cooperation Treaty (PCT) applications
- Patents held: 44% of all patents (fiscal 2018) → 54% (fiscal 2022)
Scope: All patents held by the NEC Group

Examples of Initiatives Based on the NEC Technology Vision

Digital Twins for Co-creation and Trials of the Future

Realization of a Safe and Secure Society through Visualization
Multi-satellite image analysis to detect all kinds of changes in the earth's surface
Conventional methods can detect changes only in specific locations every two weeks. This technology, which can seamlessly integrate observed images from multiple SAR* satellites and optical satellites, can detect changes in the ground surface at any point with higher frequency (within an hour to a day), regardless of the time of day, storms, or other bad weather conditions.
* Synthetic Aperture Radar



Support for Society via Mission-critical Infrastructure
Invariant analysis and model-free analysis of time-series data
Development of the manned spacecraft *Orion*, part of NASA's manned lunar exploration project Artemis
This technology generates a model for normal operations by finding 22 billion relationships from 150,000 sensors on the spacecraft within several hours, enabling anomaly detection for the design, development, manufacture, and testing stages of spacecraft.

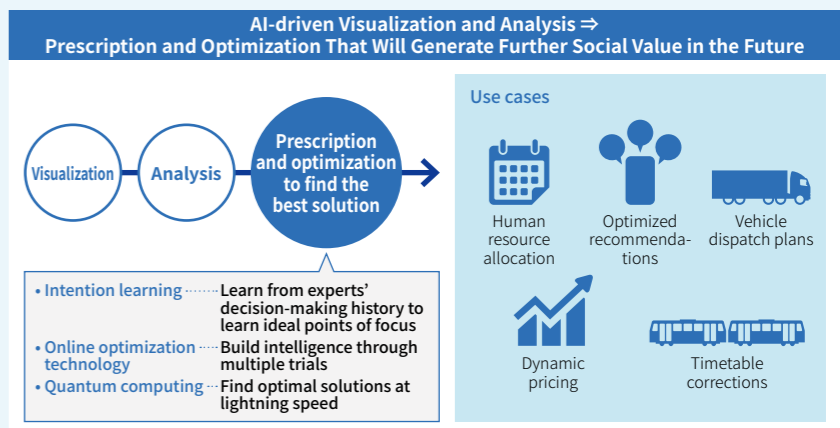


AI That Works with People and Permeates Society

Making Society Efficient and Green through Optimal Prescriptions

NEC is developing various types of proprietary technologies in the field of optimization. In addition to quantum computing, these technologies include intention learning, in which AI learns the intentions that underlie the decisions made by experts, and online optimization, which facilitates interactive optimization, even amid uncertain conditions.

These technologies will significantly reduce the amount of labour and increase the speed of operations that require choosing the optimal decision from a massive number of options, such as dynamic pricing, shift scheduling, delivery planning, personalized advertising, and optimized recommendations.



Platform to Support Environmental Friendliness, High Reliability, and High Efficiency

Integrating AI x Communications x Computing

Non-terrestrial Networks	Low-orbit satellite, HAPS, Drones	Satellite Constellation / HAPS¹ • Key Beyond 5G technology that provides a telecommunications environment that can be accessed anywhere in the world
Optical Core Networks		All Photonics Network (Non-linear distortion compensation / Photonics chips) • Wavelength conversion technology targeting <1/100 low latency and power • Successfully implemented optical processing on photonics chips, demonstrating the principle during joint research with Princeton University
5G Access Networks		Communication Prediction and Optimized Bandwidth Allocation (Guarantee end-to-end QoE) • Optimized ITNW process based on the application's quality demand, reducing bandwidth usage by up to 1/10 Open RAN Resource Optimization • 30% less power consumption through automatic optimization of wireless and CPU resource allocation of Open RAN equipment (CU and DU), reducing bandwidth usage by up to 1/10 Distributed MIMO² • Deployment of small antennas and high-precision clock synchronization to help decentralize Open RAN and reduce cost of implementing Open RAN RUs and DUs
Submarine Optical Fiber Cables		Submarine Optical Communication • Succeeded with the world's first long-haul transmission with an uncoupled four-core fiber cable • Conducted joint demonstrations with Facebook, Google, Amazon and other companies, helping increase orders along North Atlantic routes

¹ High-Altitude Platform Station ² Multiple Input Multiple Output

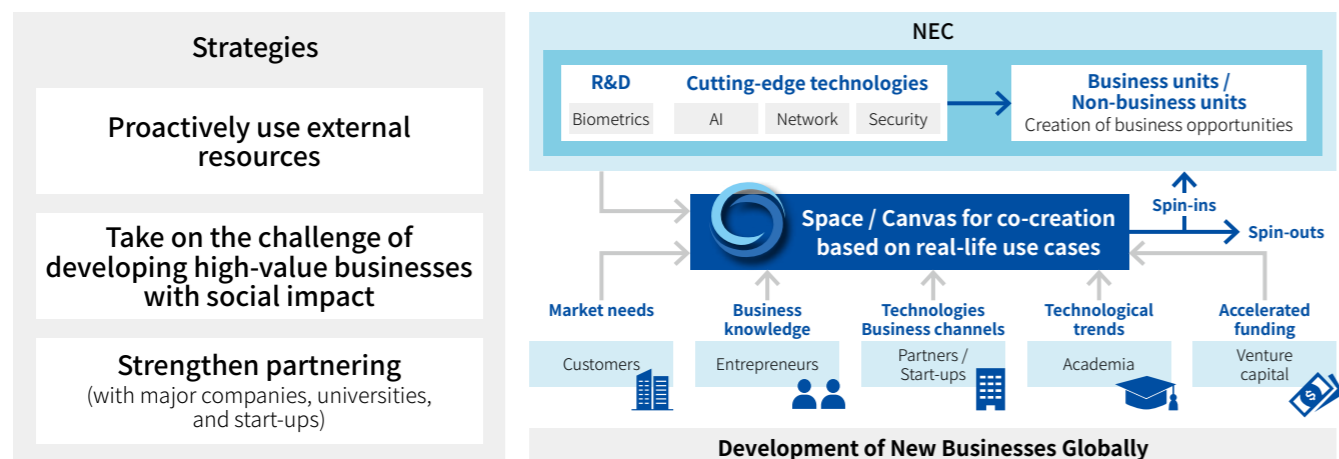
NEC's Business Model

Innovation: R&D and Business Development

Venturing into New Business Areas

At NEC, we expect innovation to spur business development in areas where both potential customers and value are yet to be discovered, and we are working on open innovation to develop innovative new businesses that would be difficult for NEC to pursue on its own. We aim to create new social value on the global stage by creating new combinations of diverse knowledge that shatter the boundaries of preconceived notions.

Direction for New Business Development



Proactively Use External Resources

BIRD INITIATIVE—A First-of-Its-Kind R&D Business from Japan Centered on Co-Creation

In September 2020, NEC became one of six companies to form BIRD INITIATIVE, Inc., a consortium incorporating business, finance, and academia with the goal of using R&D rooted in co-creation to speed up the creation of new businesses.

BIRD INITIATIVE's activities include R&D, commissioned research, consulting, and investment related to digital technology. These efforts are aimed at resolving issues facing organizations and greater society as digitalization moves forward and at creating new businesses.



In September 2020

Established by six companies from different industries, incorporating business, finance, and academia

Carve-outs planned for fiscal 2023

2 projects

assimee

Aiming for a world where digital twins are the natural order

Analysis of assimee's services showed a threefold improvement in investment efficiency at a major semiconductor manufacturer.

Automated Negotiation Plus Drones

Aimed at establishing smart logistics and smart factories

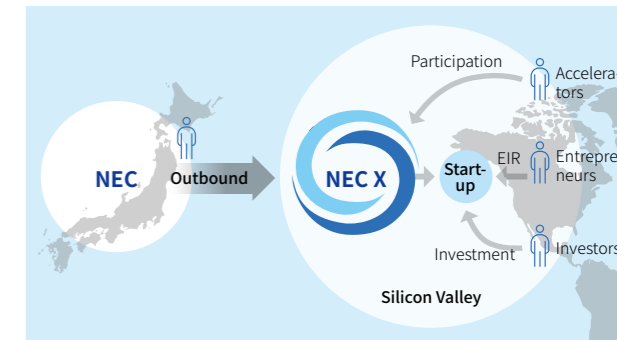
First three domestic tests completed in Wakkanai, Hokkaido

Take On the Challenge of Developing High-value Businesses with Social Impact

NEC X—Working with the Silicon Valley Start-up Ecosystem

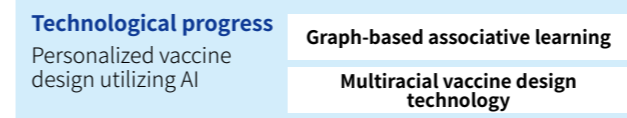
Ecosystems Rooted in Cutting-edge Technology

NEC established NEC X, Inc. in California to work with Silicon Valley's start-up ecosystem and capitalize on the technology coming from research laboratories in order to accelerate the creation of new businesses. With NEC's human resources and technology at its core, NEC X will promote commercialization through open innovation and create new social value.



AI Drug Development

1) Personalized cancer immunotherapy using cutting-edge AI



Paradigm shift toward drug development processes optimized for each patient

Indication	2019/5	2020/1	2021/11
	Preclinical	Phase I	Phase II
Ovarian cancer	Progressing	Progressing	Progressing
Head and neck cancers	Progressing	Progressing	Progressing

2025 business value: 300 billion yen*

* Calculation by market scale of drug development pipelines, development phases, value amounts of competitors, and pipelines of drug development, as general methods of medicine development

2) Development of a next-generation coronavirus vaccine

NEC's AI technology makes the next generation of coronavirus vaccines a possibility

- One vaccine for over 100 betacoronaviruses
- Resistant to virus mutations and expected to help maintain long-term immunity

Helping realize a safe and secure world

First Japanese corporate group to partner with the Coalition for Epidemic Preparedness Innovations (CEPI) Project launched to develop a next-generation vaccine using AI technology put forth by NEC

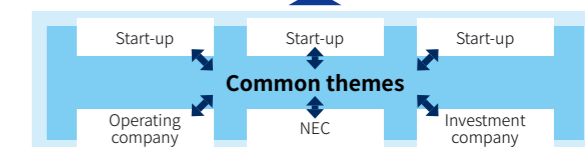
Strengthen Partnering

Progress in our strategic partnership with NTT	Innovative technological development	Drastically reduce security risks associated with using open systems and capture the global 5G market using a safe and secure Open RAN system
Construction of ecosystems through collaboration with universities	Implementation of technology in society	Deliver results, form a vision, and foster social acceptance with a view toward implementing "Beyond 5G" in society

Establishment of the NEC Orchestrating Future Fund

This NEC-anchored fund raises capital from external sources, which is then invested in early stage and late-stage start-ups in order to develop co-creation ecosystems.

Investment focused on six areas



NEC's Business Model

NEC, for Those Who Seek Challenge

Human Resources Strategy

Viewing people as its greatest management resource, NEC has been investing in its personnel by transforming systems and improving environments in ways that maximize the capabilities of its people and organization. To be an employer of choice that is always the preferred option not only of markets and customers but also of workers, we have been reforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow and receives fair evaluations. Moreover, we are creating an atmosphere in which proactive employees can shine. The aforementioned reforms are based on our Human Resources (HR) Policy, "NEC, for those who seek challenge," established in 2019.

Transformation of Culture and How We Work

Increasing Employee Engagement—Transforming People and Culture

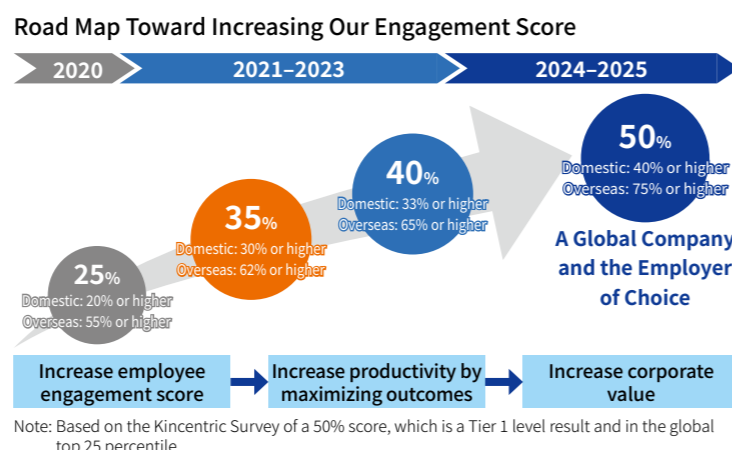
We aim to be a company that pursues innovation and brings together diverse human resources under the NEC Way, and become the company of choice for employees.

Therefore, we are hard at work toward our fiscal 2026 goal of an employee engagement score of 50%.

As a pillar of this transformation, we are engaged in efforts to bolster diversity as a source of innovation and implement workstyle reforms that support diverse talent.

To accelerate our efforts toward diversity, we will specifically focus on actively recruiting and systematically developing diverse talent, including female and non-Japanese employees. Our offices, which were previously used as our main work space, will now be utilized as a hub for communication and joint creation of innovation through the further refinement of our NEC Digital Workplace and improvements toward location-free productivity. These measures will help us reform workstyles and mindsets which will then improve our engagement score.

We will also engage in job-based management, which aims to fill each position with the right person for the job at the right place and the right time, and human resource development that emphasizes the cultivation of digital talent.



HR Policy: NEC, for Those Who Seek Challenge

HR policies for developing highly capable people and teams

NEC, for those who seek challenge.

- Diverse opportunities for challenge:** Our guiding principle is right time, right position, right person. Diverse opportunities for challenge are provided, which employees can take advantage of to flexibly build their own careers.
- Unlimited growth opportunities:** If your outlook is ambitious, you can continue improving your skills and growing as a professional.
- Fair appraisal and progressive rewards:** Performance is evaluated fairly and rewarded with the appropriate pay and subsequent growth opportunities and positions.
- Work environments and culture that bring out your best:** Systems support good work environments and culture in addition to a fulfilling quality of life, allowing employees to dedicate themselves to taking on challenges.

Four Key Initiatives and KPIs

Active participation of diverse talent	<ul style="list-style-type: none"> Ratio of female or non-Japanese to Directors, Audit & Supervisory Board Members (KANSAYAKU), and corporate officers: 20%*1 (9.4% as of June 30, 2022) Ratio of female to all managers*1: 20% (8.1% as of April 1, 2022)
Utilization of the right person at the right place and the right time • Job-based management	• Percentage of key positions filled
Talent management • Training leaders • Training DX talent	<ul style="list-style-type: none"> DX talent: 10,000*2 (5,000 as of April 2020) Talent pool*3: Training coverage ratio
Workstyle reforms	Employee survey scores on work fulfillment, productivity, and physical and mental well-being

*1 Goal for April 1, 2026
*2 Goal for fiscal 2026
*3 High-potential human resources, including young people and female and non-Japanese employees, working at all levels and hired with consideration for diversity

Promoting Active Participation of Diverse Talent While Embracing Inclusion and Diversity

NEC's goal is to become an organization that can overcome challenges by making inclusion and diversity an integral part of its culture and continuing to foster new innovation.

Employees	<ul style="list-style-type: none"> Every employee is professional and shows respect for the diverse talents of others. A diverse group of human resources work in a way that suits them to carry out their responsibilities.
Organization	<ul style="list-style-type: none"> The organization respects and utilizes diverse perspectives as something truly vital. The organization has an even playing field, is resilient to change, and can win on the global stage.

Code of Values

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

Three Key Concepts and Numerical Targets for Inclusion and Diversity

The Inclusion & Diversity Group, led by a corporate executive, works with related departments within NEC to promote a variety of measures, which include providing support for and promoting the understanding of women's career advancement and active participation, and the employment of people with disabilities and sexual minorities (LGBTQ). This group is also engaged in measures related to smooth onboarding of non-Japanese employees working in Japan and mid-career hires. In this way, we are fostering our in-house culture by proposing and implementing measures to enable these kinds of diverse internal human resources make full use of their individuality and uniqueness to work and participate at their full potential.

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

Giving Everyone a Voice
Ensure that opinions can be expressed without fear of discrimination, regardless of age, career path, or job title

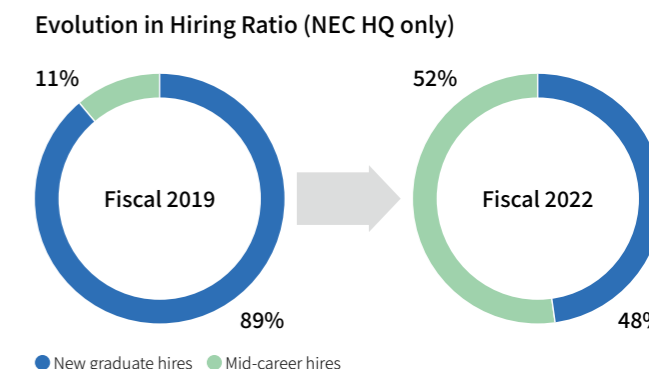
All-inclusive Community
Utilize Employee Resource Groups

Fiscal 2024 Goals	Fiscal 2026 Goals
Continue to appoint multiple female officers	Ratio of female or non-Japanese to Directors, Audit & Supervisory Board Members (KANSAYAKU), and corporate officers*4: 20%
One NEC Survey Diversity Score: 30%	Ratio of female to all managers*4: 20% Ratio of female to all employees*4: 30%
	One NEC Survey Diversity Score: 40% Domestic average (34%)

*4 As of April 1, 2026 (NEC HQ only)

Specific Initiatives Related to Inclusion and Diversity

- Promotion of women's empowerment and success
- Employment of people with disabilities
- Diverse workstyles for seniors
- LGBTQ initiatives
- Inclusion of mid-career hires
- Initiatives in local communities worldwide



For more details, please refer to the "Inclusion and Diversity" section on page 53 of Sustainability Report 2022.

NEC's Business Model

NEC, for Those Who Seek Challenge

Human Resources Strategy

Utilizing the Right Person at the Right Place and the Right Time with Job-based Management

In order to achieve the goals of the Mid-term Management Plan 2025, NEC is focusing its efforts on ensuring its diverse human resources can play an active role throughout the Group. A part of these efforts involves job-based human resource management that puts the right person in the right place at the right time, and decides on a recruitment plan that will bolster diversity as a source of innovation.

Job-based Human Resource Management

2018	Performance development that maximizes personal growth and achievement	<ul style="list-style-type: none"> Goals and expectations in line with role Consistency as a team Evaluation and compensation that is fair and transparent
2020	Organization and position design based on business strategy	<ul style="list-style-type: none"> Workforce planning (Position x Numbers) Defining of human resources and the requirements for each position
2021	Human resource information system (HRIS) and operations that reflect NEC's philosophy	<ul style="list-style-type: none"> Simple and highly productive operations HRIS that works in tandem with measures
2023 onward	Compensation based on market and organizational logic	<ul style="list-style-type: none"> Compensation that corresponds with job Contracts between companies and individuals

Road Map to Achievement and Specific Initiatives

In fiscal 2019, NEC transitioned to a job-based human resource management system for officers that clarifies their duties and responsibilities. Our goal is to expand this system in stages until it applies to all employees.

Enhancing Our Management Base to Promote Job-based Human Resource Management

Initiatives under the Mid-term Management Plan 2020		Phase 1 Enhance management base (thorough goal management and evaluation)	Phase 2 Build and clarify job system Transition to autonomous career building	Phase 3 Establish career tracks for each type of work and job-specific compensation
Personnel planning Job setting	Position-based personnel plan (Mid-term Management Plan 2020 onward)	Design positions and conduct personnel planning to achieve the next mid-term management plan	Reconstruct job system to align with business transformation goals and update personnel plan	
Flow of human resources	Stronger mid-career hiring (2019 onward) Expansion of job posting system (NEC Growth Careers)	Identify and mobilize optimal human resources	Ramp up recruitment strategies by job Encourage autonomous career development	Establish job-specific hiring, training, and placement with a path toward a specialized career
Goal management Evaluation	Evaluation reform (2018 onward) <ul style="list-style-type: none"> Strengthened commitment of executives Staged introduction of "9 Blocks" and one-on-one evaluation systems 	Implement and entrench evaluation reforms <ul style="list-style-type: none"> Strengthen commitment of executives Conduct suitable evaluation Simplify system and conduct thorough feedback 		
Compensation	Introduction of individual job-based compensation for select positions and ranks <ul style="list-style-type: none"> Researchers (2019 onward) and senior specialists (2020 onward) New graduate and mid-career hires (2020 onward) 	Ensure transparency and well-balanced treatment (Bonuses and salary increases)		Develop a market-competitive compensation system

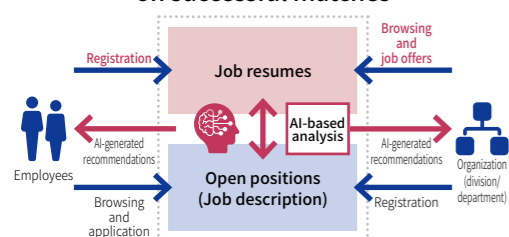
Introduction of NEC Growth Careers, NEC's Internal Job Posting System

In fiscal 2020, we revised our existing job posting system and introduced NEC Growth Careers (NGC), a year-round career matching system that follows an open recruitment model. In fiscal 2021, we introduced AI-generated job recommendations powered by machine learning technology developed by NEC.

Increasing the number of employees who take advantage of this system is a crucial part of increasing career ownership. To this end, we encourage employees to adjust their mindset and utilize the system through one-on-one talks, career interviews, and other means. This will facilitate stronger efforts among employees to develop their careers.

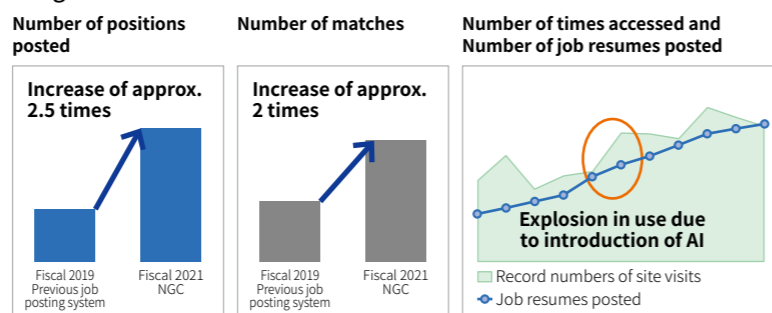
Job-matching System Powered by AI

Always-available information Transfers implemented every month based on successful matches



Note: Items in red denote differences from the previous job posting system.

Usage and Results of NEC Growth Careers

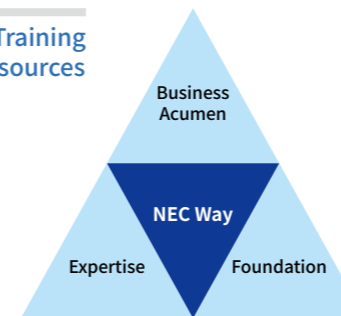


■ The introduction of NGC has increased the number of open positions and the number of positions filled, encouraging employees to take on career challenges and promoting job mobility.
■ The number of users has increased significantly due to the introduction of AI. In the future, we will verify the effectiveness and accuracy of AI matching.

Talent Management: Human Resource Training

Policy for Training DX Personnel and Framework for Initiatives

Policy for Training Human Resources



Internalizing the Code of Values as well as the mindset and conduct necessary for leadership

Business Acumen

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

Foundation

Acquiring a common set of capabilities required of a professional

Expertise

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

Measures

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

<p>1</p> <p>Enhance human and organizational management capabilities to succeed on the global stage</p> <ol style="list-style-type: none"> 1. Boost the skills of those who manage people 2. Ramp up development of the next generation of leaders 	<p>2</p> <p>Pursue professional development to foster a successful business transformation</p> <ol style="list-style-type: none"> 1. Make necessary adjustments in ways of thinking and behavior to adapt to the digital shift 2. Reskill employees 	<p>3</p> <p>Enhance the mindset and skills that form the basis for stronger teams</p> <ol style="list-style-type: none"> 1. Reinforce implementation of the Code of Values 2. Instill the ability to leverage diversity (Facilitation, team building, diversity management)
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Support Learning and Career Autonomy with Digital Methods

Provide career opportunities and opportunities for personal development

Human Resource Training Platform



DX Personnel Training Program

Social issues / Human-centered	Creating the future / Shared intent	DX Organizer Program		Project-based Learning by STARS*2	
		Cloud	AI (NEC Academy for AI)	Security	Biometrics / Video Analysis
Mindset / Behavior	CX/UX*1 mindset	<ul style="list-style-type: none"> Training Self-learning (sandbox) environment Container platform On-the-job training Cloud SE development program 	<ul style="list-style-type: none"> Training Self-learning (sandbox) environment On-the-job training Contest: NEC Analytics Challenge Cup Ideathon Community 	<ul style="list-style-type: none"> Training Self-learning (sandbox) environment Contest: NEC Cybersecurity Competition Practice at the NEC Cybersecurity Training Site 	<ul style="list-style-type: none"> Training Biometrics and video analysis technology, Basics and applications Self-learning (sandbox) environment On-the-job training
		<ul style="list-style-type: none"> SI-Service Framework Training Agile development and other approaches Self-learning (sandbox) environment DevOps, etc. On-the-job training (support) Practice lab 	<ul style="list-style-type: none"> Training Linux, Kubernetes, etc. Self-learning (sandbox) environment 	<ul style="list-style-type: none"> Training Service design training using NEC's design mindset framework On-the-job training (support) 	<p>Number of Trainees in Fiscal 2022 (NEC Group)</p> <p>21,305</p>
Technology	Digital technology				

*1 Customer Experience/User Experience

*2 Self Transformation And Reform based on System design and management

*3 Future Creation Design

NEC's Business Model

NEC, for Those Who Seek Challenge

Human Resources Strategy

Workstyle and Office Reforms with Smart Work 2.0

Achievements to Date

Our Work Environment		Establishment of system, office, and IT-based infrastructure	Proof of concept and other implementation opportunities for employees
Office Reforms Office reforms BASE co-working space Newly established BASE co-working space	System Reforms Working from home/telework Super flexitime	IT Transformation Remote and on-site workspaces Telework security	
<ul style="list-style-type: none"> Renovated office floor at NEC Headquarters FIELD, a space for co-creation over a meal Renovated domestic bases Concierge desk 	<ul style="list-style-type: none"> Telework days Smart Work Week Dress code-free environment Long-distance work capabilities Thanks/Praise system for fostering a culture of mutual acknowledgement and enhancement Certified as a Health and Productivity Management Organization 	<ul style="list-style-type: none"> Value through digital IDs Digital signatures and contracts (without the need for official seals) Stress checks and health management Operational efficiency via AI-powered digital assistants Social distancing through flexible seat planning and IT tools Workstyle analysis, etc. 	

Teleworking Ratio

Up to 85%

As of April 2020
22% in October 2018, up to 55% in September 2022

Number of Online

35,000

September 2022

Conferences per Day

35,000

September 2022

Vast improvement in satisfaction with workstyles according to employee survey

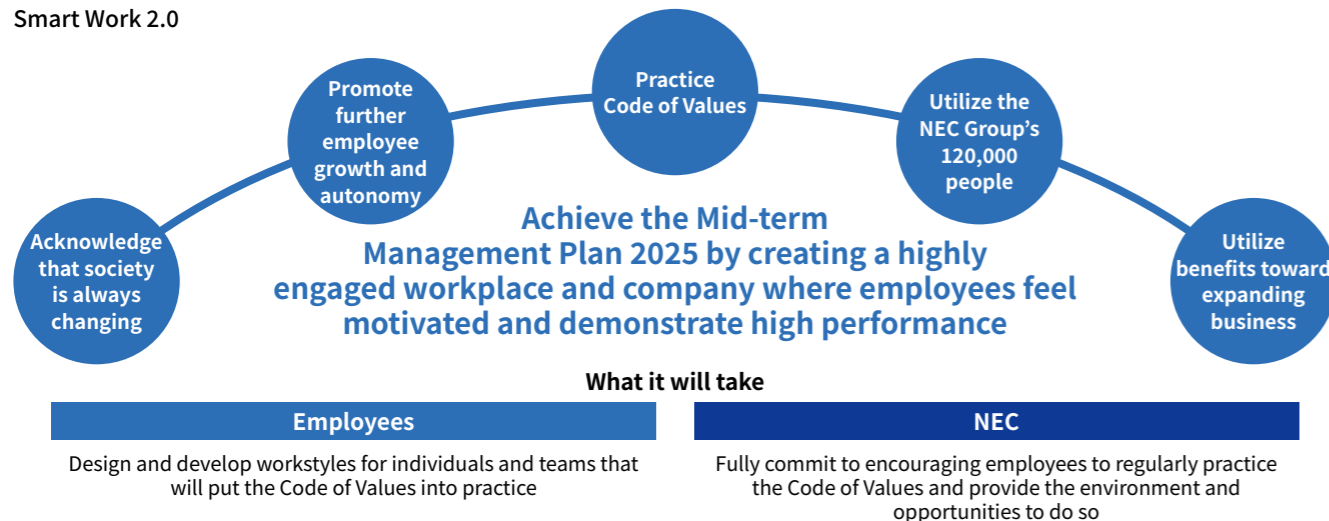
Initiatives Going Forward

Smart Work 2.0 is a concept based on the principle of being “location free.” As such, employees are encouraged to design their own workstyle, with locations, work hours, and other variables that best suit them. We have redefined the office as a place where people gather, making the office a “communication hub,” a home base where employees combine their forces, and an “innovation hub” where customers, partners, and other people from inside and outside NEC can come together. We intend to help employees stay motivated as they perform their duties by providing them with working systems based on the idea of combining cutting-edge technology with hybrid workstyles that take elements from “location free,” “communication hub,” and “innovation hub” concepts.

Smart Work 2.0, a workstyle that brings together these three concepts, embodies the “Code of Values” that expresses the shared values of NEC Group employees. We believe that through the spread of Smart Work 2.0, employees will put the Code of Values into practice and draw motivation from experiences that make them proud to be part of the NEC Group.

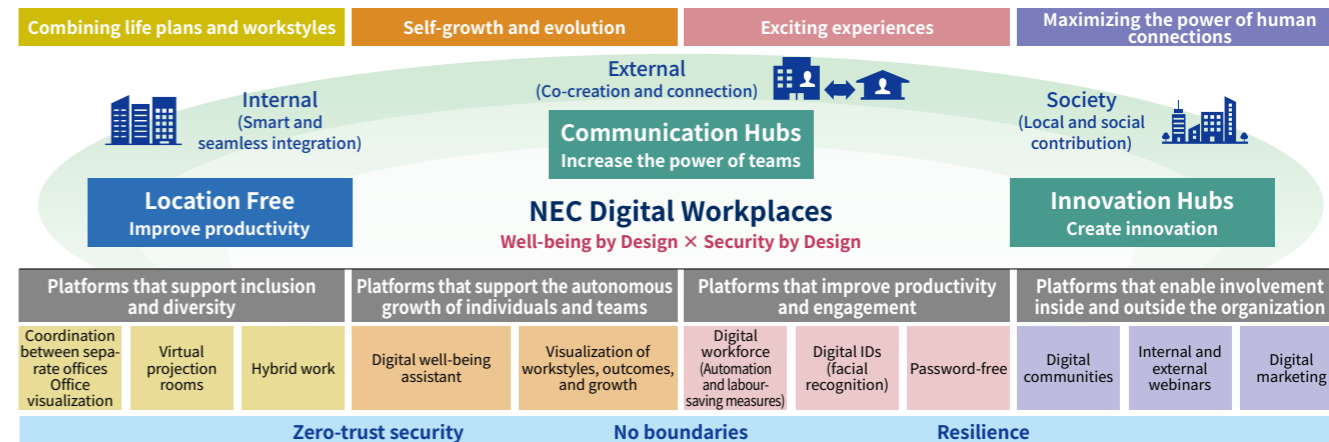
In addition, as a company that pursues innovation fueled by a diverse pool of talent, coupled with the ability to respond flexibly in the face of social change, NEC will be able to leverage the power of digital technology to help society and leverage the power of co-creation to promote a more sustainable society where everyone has the chance to reach their full potential.

Smart Work 2.0

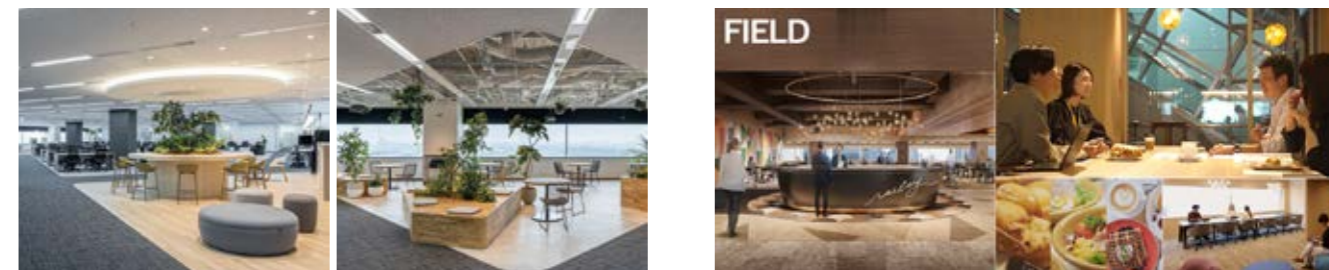


NEC's Digital Workplace—A Platform That Provides the Optimal Place and Optimal Time to Elicit Optimum Performance

NEC's Digital Workplace is rooted in the concepts of Well-being by Design and Security by Design. We plan to employ it at NEC so that the Company can evolve as a workplace that can support a hybrid work culture, and then leverage the know-how gained from this process to provide the NEC Digital Workplace to society.



The Office, Redefined for the Future



Increasing team cohesion
Communication Hubs

The traditional office will be a “communication hub” where the energy of the team can be brought together without fear of discrimination. Using an unassigned seating system, we will evolve the office into the perfect space for open-minded communication with an optimum size.

Extending and strengthening connections beyond teams, to outside the Company and greater society
Innovation Hubs

We want customers, partners, and other people inside and outside NEC to interact with one another so that every day we are nurturing an ecosystem that will generate innovation. With this in mind, we have redefined meeting rooms and cafeterias as “innovation hubs.” To coincide with this new definition, we have redesigned these rooms, expanding them to eight times their original size.

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

NEC is actively promoting communication strategies that include town hall meetings, NEC Way Days, and exposure to mass media with the goal of improving employee engagement scores. Thanks to these efforts, the “management” and “employer as a brand” category scores improved by eight points each, raising the overall engagement score.



Town Hall Meeting
President Morita and an employee in a dialogue session

Domestic:	10 town hall meetings held monthly in fiscal 2022, with 118,500 participants in total
Overseas:	26 town hall meetings held in fiscal 2022, once every six months per region, with a total of approximately 22,000 participants
Job satisfaction:	Over 95% satisfaction rate



NEC Way Day
An event for all employees celebrating the NEC Group's founding. Spreading the NEC Way and cultivating a sense of global unity

Global unity:	Event held at 15 bases across Japan and overseas
Participants:	52,000 worldwide
Excitement over event:	93% positive responses

NEC's Business Model

NEC, for Those Who Seek Challenge

Messages from Employees

We have established an HR policy under the banner “NEC, for those who seek challenge.” Under this policy, we are promoting human- and culture-centric reforms to optimize employee potential. Here, we will share some messages from a few of our employees who are working to create social value.

Entering the Global Market with a Positive Outlook on the Challenges That Come Our Way

In previous years, I was in charge of overseas sales for countries in Europe and the ASEAN region, and now I am in charge of NEC's Global 5G Business.

This business is said to be NEC's first venture-based business in the global market. When launching a new business, things do not often go according to plan, but you will never move forward if you get discouraged with every single setback. Instead, you need to go in knowing that there will be challenges that come your way and to see the day-to-day snags as interesting experiences. Thankfully, we have a diverse team that can do just that.

Our members in the United States and Europe have a particularly strong desire to flourish in the global market. When I asked them why they chose NEC instead of other global companies, many said that living up to NEC's standard of trust and integrity backed by its quality gave them motivation. I believe that the presence of these sort of people is one of the strengths of the organization.

The entire team is on an even playing field, so anyone can ask anybody for help if they run into trouble. Of course, as leader of the team I bear the ultimate responsibility for what goes on, but everyone is held accountable for their actions, regardless of their position, and the other members of the team will let me know when I am doing something wrong. This has a positive effect, and I feel that everyone takes ownership of themselves while fighting on as a team.

When I returned to Japan from abroad as a high school student, the positives of Japanese society really stood out to me, but I also felt that the people and industry in general could play a more active role globally. To make that wish a reality, I want to contribute to the development of the world market under the banner of Japan, and do so with confidence, fairness, and openness. That is what motivates me. I hope to draw upon the strengths of NEC's substantial quality and transparency that engenders the trust of society as well as its commitment toward improving not only its standing within Japanese industry but the position of Japanese industry in the world market.



Mayuko Tatewaki

Senior Vice President in charge of Global 5G Business



Naonobu Amari

Director
Digital Finance Department

Working with Financial Institutions to Connect One Company to Another

I joined NEC in 2008, straight out of university, and am now in charge of sales targeting major financial institutions. A real turning point for this line of work came around 2016, when fintech started drawing attention, and NEC, like other companies, started creating businesses with customers involving financial institutions. Previously, we would make technology-based proposals to the systems divisions of our customers, but in our effort to create business partner relationships we began approaching front office divisions. Through these dealings, we learned that there was some overlap in the issues our customers were facing with some of the areas NEC was looking to venture into, which ultimately led to the launch of Biz-Create, a business-matching service that allows companies to search for business partners online at their own will.

Financial institutions had already been involved in business matching for quite some time, but this service allows for matching across different customer bases. This solved existing problems that financial institutions had previously dealt with, namely, the limited number of matches that could be conducted by human beings, and the limited number of matches available within a single customer base. In the third year of its operation, the number of companies using Biz-Create exceeded 14,000, facilitating more than 1,500 business negotiations every month.

I think that financial institutions are looking for new challenges as well, but there is no room for error. The same caveat goes for NEC, but I believe the reason we can guarantee safety, security, and quality while still trying new things is because NEC has built up so much knowledge over time.

What motivates me is my desire to roll up my sleeves and work alongside these financial institutions as business partners, and to celebrate our successes together. I hope that sharing the joy of co-creation with a great number of people will lead to the creation of major business.

Using the Power of Digital Technology to Create Stores Everyone Can Enjoy

I joined NEC as a new graduate hire in 2004. After gaining experience in sales for major telecom carriers, I shifted to sales aimed at retailers. Now, we are developing DX solution services for retailers that utilize video.

Retail needs to be able to respond to change more than any other industry, so much so that we call it a change-responsive industry. This means that vendors have to provide flexible systems that can withstand these changes.

I have noticed some major themes appear in recent years, specifically the improvement of operations and of customer experience. I believe that there is great potential in using imaging in addition to numerical information to ascertain a greater understanding of the sales floor, which can help shorten work time. I also see great potential in using visualization and analyses of customer purchasing habits to better match their interests and preferences.

Previously, most of our business was conducted by listening to customer concerns and addressing them on a one-to-one basis, but to succeed in the future, NEC needs to make its technology-based services simpler, with wider access. We repeatedly step up our services by thoroughly interviewing a variety of customers about what they need, verifying these needs, and then addressing them.

Above all, what's important is that you enjoy what you do. This is no different for shoppers or the people working at the stores. Customers will come if the people behind the counter enjoy what they do. I hope we can achieve this with the power of technology.



Yuji Tahara

Product Manager
Smart Retail Department

What Changing Careers Has Taught Me

I am currently involved in customer DX strategy and business process improvement as part of the Strategy Consulting Division. After joining NEC, I worked in corporate sales, but as I took on projects, I saw more and more cases of NEC weakness on the upstream side, such as strategic planning and framework creation. These experiences led me to try my hand at upstream projects via the NEC Growth Careers program.

After two years, I think I have acquired three “powers.” The first is goal-oriented thinking—instead of asking how something will get done, I think of what needs to be done and why. The second is critical thinking—I keep asking myself questions while keeping the goal in mind. Finally, the third is the power of project management—the ability to design and manage processes that will get us to our goal.

When we offer strategically important upstream services alongside our existing system integration services, we increase the chances to interact with our customers at the management level. As a result, we have had more opportunities than ever before to experience the high standards that customers associate with NEC. Once, one of the executive officers of a client company personally shook my hand and said, “Thank you for getting this project done right!” It's moments like these that I truly feel I am providing customers with even more value than when I was a sales rep.

The division I work in is only three years old, but I think we offer a new power to NEC, in that we support the Company in going beyond the “how” so that it can focus on the “what” and the “why.” It would make me happy if the people working at NEC could use this power to inspire change in themselves.

Ryoichi Sonezaki

Assistant Manager
Operation Consulting



Resolving Social Issues with Data Analysis and AI

Ever since joining NEC, I have worked in my role as a data scientist to solve problems using customer data. I joined NEC because I had majored in machine learning and data analysis as a student and wanted to help solve real-life problems, and at the time, it was one of the few places where I could find work as a data scientist. In addition, NEC's AI technology is not a black box. Instead it uses proprietary, white box technology that makes it possible to understand how a certain result was obtained. I think this is an appealing point for customers and one of the reasons they recommend us to new customers.

To me, NEC's strengths are its proprietary technologies, the employees, who are active in a wide range of areas outside the Company, and the deep well of knowledge and expertise that the Company has built up through the people who have come through its doors.

Right now, we are extending our range beyond data analysis to support system integration in light of customer issues. We are also trying to address an issue that has come to light in recent years, specifically, the issue of developing human resources. The belief among many companies is that there is a particular need for personnel with DX literacy, so we are proposing educational consulting to help these companies learn how to develop such competency. I find work like this to be very meaningful in that we are not just verifying the validity of AI, but we are actually putting it into practice.

I would like people to feel more comfortable with AI in the future. I think that for this to happen, we need to get AI to a place where it can play an active role in benefiting our lives, in places we wouldn't think of, and in ways we don't notice. I'm also interested in AI applied to law enforcement and other areas related to safety and security. I would also like to see AI used for disaster prevention, partly because Kyushu, where I'm from, has had a lot of flood damage in recent years. I believe, if used right, AI could save lives.



Saki Nagaki

Data Scientist
AI Analytics Department

NEC's Business Model

Living Harmoniously with the Earth to Secure the Future

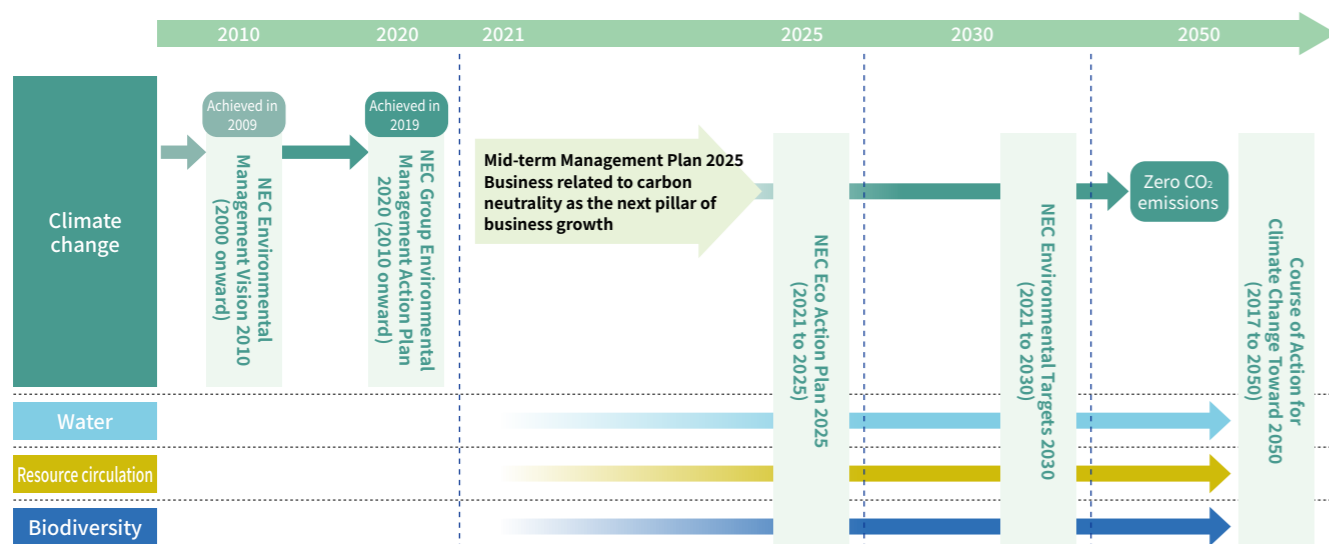
NEC promotes environmental management in order to realize a sustainable society as put forth in the NEC Way. As part of its corporate responsibility, NEC seeks to reduce the environmental impact of its activities by conserving energy at its facilities and during transport and by reducing the chemical substances it uses. To that end, we have established the NEC Environmental Policy and take close care to ensure that all actions of employees and corporate officers comply with the policy and engage in activities with consideration for the environment. We also help reduce the environment impact of our customers and society as a whole on the planet by providing environmentally friendly products and services that utilize ICT and our own unique technologies. The NEC 2030VISION, our ideal vision for the future in 2030, includes environmental initiatives, and we will demonstrate the value of NEC by improving and resolving a variety of environmental issues.

NEC Environmental Policy

NEC views the operation of business in harmony with the environment as one of its top priority issues and is committed to reducing the environmental impact of the entire global supply chain and contributing to a sustainable society.

1. We will create social value focused on delivering ICT solutions and services leveraging advanced technologies to contribute to their adaptation, and we will contribute to the reduction of the environmental burden on customers and the global environment and to the mitigation of the impacts of climate change.
2. We will assess the environmental impact throughout the entire life cycle of ICT solutions and service development with considerations for reducing environmental burden.
3. We will comply with environmental laws and regulations associated with our business activities, honor agreements with stakeholders, and strive to conserve energy, save resources, and prevent environmental pollution caused by chemical substances and waste along the entire supply chain.
4. We will prioritize the procurement of environmentally friendly hardware, software, and services.
5. We will disclose environmental information regarding our business activities, ICT solutions, and services to our stakeholders.
6. We will raise the environmental awareness of each and every one of our employees worldwide and contribute to the conservation of the global environment through the promotion of climate change action, resource circulation, and biodiversity.
7. We will strive to improve an environmental management system with environmental targets and conduct periodic reviews to realize continual improvement.

Environmental Initiatives for Realizing a Sustainable Society

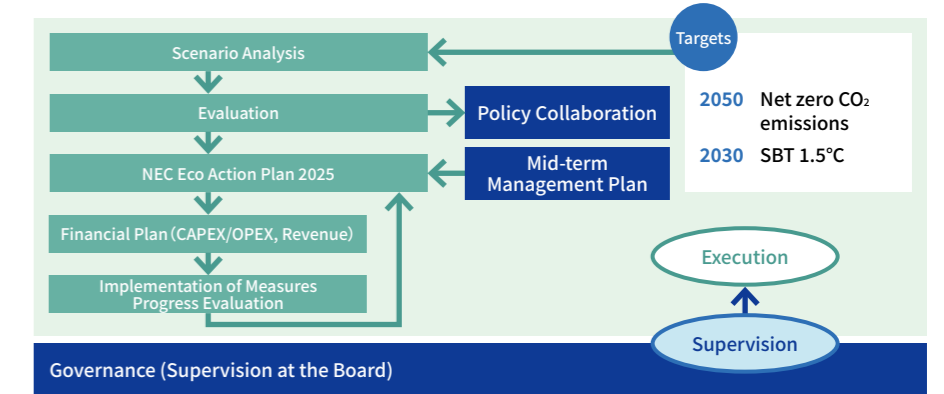


Climate Change: Reducing NEC Corporation's CO₂ Emissions to "Effectively Zero" by 2050

Climate Transition Plan

NEC has formulated a climate transition plan that combines existing guidelines and initiatives to transition to a business model aimed at carbon neutrality by 2050 in line with the goals of the Paris Agreement. The process involves a PDCA cycle that includes future forecasting via scenario analysis, clarification of business risks and opportunities, formulation of a medium- to long-term plan, and implementation and evaluation of measures. As part of this process, we will continue to report to the Board of Directors and disclose progress in line with TCFD recommendations.

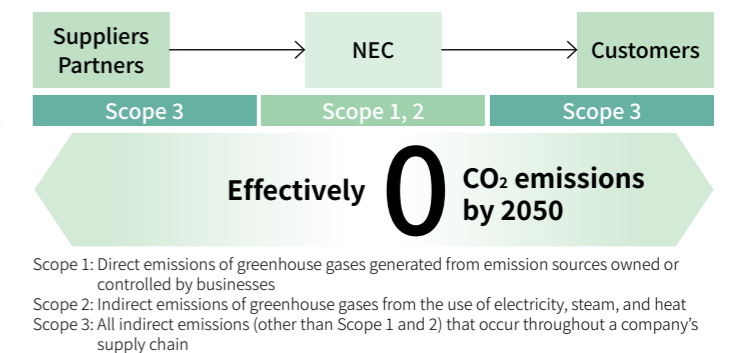
NEC's Climate Transition Plan



Long-term CO₂ Emissions Reduction Targets

In 2017, NEC formulated its Course of Action for Climate Change Toward 2050. In September 2021, NEC became signatory to Business Ambition for 1.5°C and declared that it will aim for net zero CO₂ emissions from Scope 1, 2, and 3 by 2050. This means that, in addition to its previous target for the Company's business activities (Scope 1 and 2), NEC is aiming for net zero emissions for Scope 3, which includes its entire supply chain.

"Effectively Zero" CO₂ Emissions from Supply Chains



SBT 1.5°C	Recertified (with updated target) in May 2021	SCIENCE BASED TARGETS	Scope 1 and 2: Reduce greenhouse gas (GHG) emissions by 55% by fiscal 2031 compared with fiscal 2018 level Scope 3: Reduce GHG emissions by 33% by fiscal 2031 compared with fiscal 2018 level in Category 1 (purchased goods and services), Category 3 (fuel and energy activities not included in Scope 1 and 2), and Category 11 (use of products sold)
RE100	Joined in May 2021	RE100 CLIMATE GROUP CDP	Use only renewable electricity by 2050 at domestic and overseas bases
BA 1.5°C	Became signatory in September 2021	BUSINESS AMBITION FOR 1.5°C	Reduce GHG emissions throughout the supply chain to effectively zero by 2050

NEC's Business Model

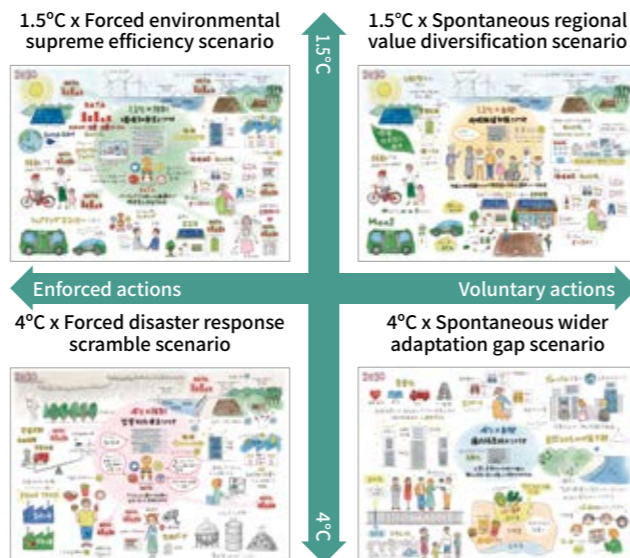
Living Harmoniously with the Earth to Secure the Future

Scenario Analysis

NEC has embarked on a climate change scenario analysis that assumes a variety of risks and opportunities presented by climate change in 2030 and 2050.

In the analysis conducted in fiscal 2022, we tried to envision the impact of climate change on the future of regions and the consumers who reside in them, with an emphasis on local government. We evaluated four scenarios, with the 1.5°C and 4°C scenarios in the transition to a carbon-free society on the vertical axis, and the relationship of citizens with their governments and the state of government systems, separated by enforced actions and voluntary actions, on the horizontal axis.

For more details, please refer to the "Scenario Analysis" section on page 41 of Sustainability Report 2022.



Findings from the Scenario Analysis

- Each scenario uncovered risks and opportunities that affect public services from the perspectives of society, industry, and daily life, making it important for NEC to factor climate change into any of its businesses that provide value for these services.
- There are market opportunities and areas where NEC can show its strengths depending on the scenario, specifically local energy management for the 1.5°C scenario and local disaster prevention and infrastructure development for the 4°C scenario.
- Data platforms will be useful in any scenario, but the usage of collected data and the targets for the value provided will differ according to the scenario, targeting consumers in the case of voluntary actions and governments in cases of enforced actions.
- Similar scenario analysis conducted in other business areas will give departments a stronger understanding of carbon neutrality as a necessity for future business, which can then be incorporated into their understanding of business conditions and future strategies.

Evaluating the Scenario Analysis: Risks and Opportunities

Risks	Description	Countermeasures
Transition risk	Risks from carbon pricing • Assuming all of NEC's Scope 1 and Scope 2 emissions (about 210,000 tons), when SBTs are achieved in fiscal 2031, are subject to carbon pricing (\$100/t-CO ₂), costs will increase by ¥2.3 billion (assuming ¥110/\$) • Assuming impact from higher costs in upstream and downstream supply chains	Increase use of renewable energy and achieve thorough gains in efficiency to realize each target for SBTs (2030 and zero CO ₂ emissions [2050]) (ongoing efforts in supplier engagement and to improve energy conservation performance of products)
Physical risk	Possible disruption of the supply chain due to weather-related disasters (floods, landslides, water shortages, etc.), long-term outages of lifelines such as electricity, gas, and water	Risk assessment of the entire supply chain, BCP measures (installing flood gates and moving power supply equipment) with provisions for weather-related disasters, such as river flooding, and strengthening of power generation in data centers

Opportunities	Description	Creation and expansion of opportunities
Value toward transition risk countermeasures (mitigation)	Development of low-emission transport infrastructure	Logistics visualization and route optimization driven by AI and IoT; EV/PHV charging cloud
	Support for expanding renewable energy use	Virtual power plants, management of power supply and demand, commercialized resource aggregation (RA) for the supply and demand adjustment market, xEMS, etc.
	Support for reducing energy use	Process reforms using DX initiatives (work automation, smart factories, supply and demand optimization), products, and technologies that help save data center energy (phase change cooling, new refrigerants, etc.)
Value toward physical risk countermeasures (adaptation)	Preparation for increase in weather-related disasters	Pre-disaster detection using AI, IoT, image analysis, flood simulation, evacuation support, etc.
	Preparation for increase in forest fires	Forest fire monitoring and quick response systems, disaster monitoring by satellite, etc.
	Preparation for changes in areas suitable for agricultural production	Simulations that forecast effects and changes in agriculture, agriculture-oriented ICT solutions, etc.
	Preparation for the spread of infection	Infectious disease countermeasure solutions, preparation of a logistics information management platform in the event of a global infectious disease, remote work, telemedicine support, education clouds, etc.

For more details, please refer to the "Risks and Opportunities for All of NEC" section on page 44 of Sustainability Report 2022.

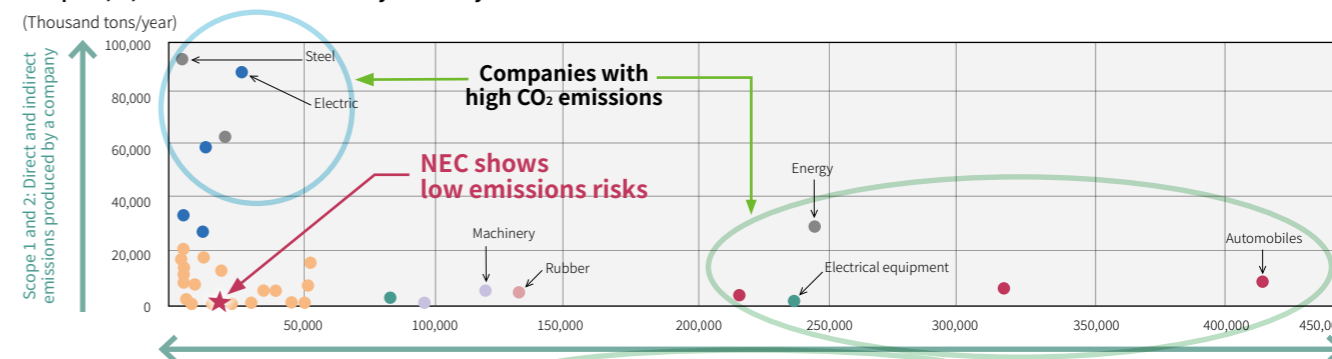
Environmental Targets of the NEC Eco Action Plan 2025

NEC has set a series of environmental targets to be achieved over the course of five years, based on the NEC 2030VISION and the Mid-term Management Plan 2025. We have selected priority activities based on the following three goals.

1. Reduce own risks and environmental footprint
2. Increase contributions through businesses
3. Build foundations to promote environmental management

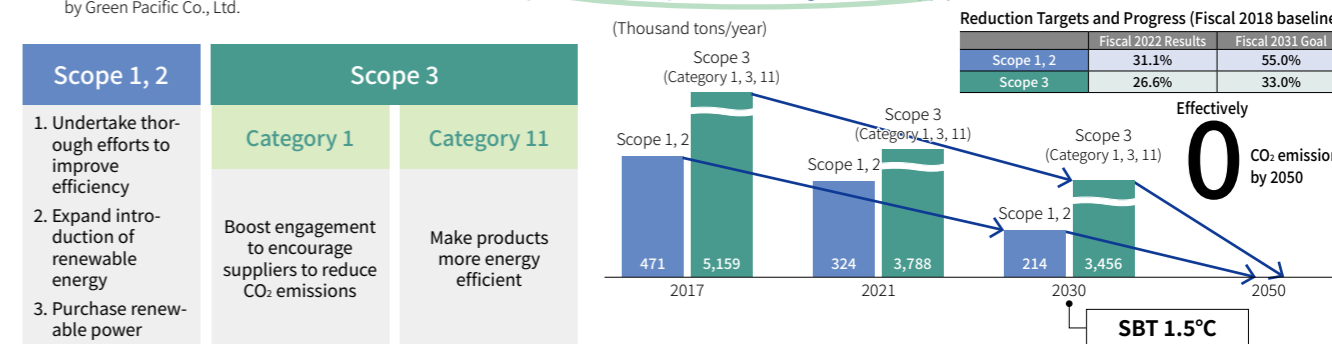
1. Reduce Own Risks and Environmental Footprint

Scope 1, 2, and 3 CO₂ Emissions by Industry



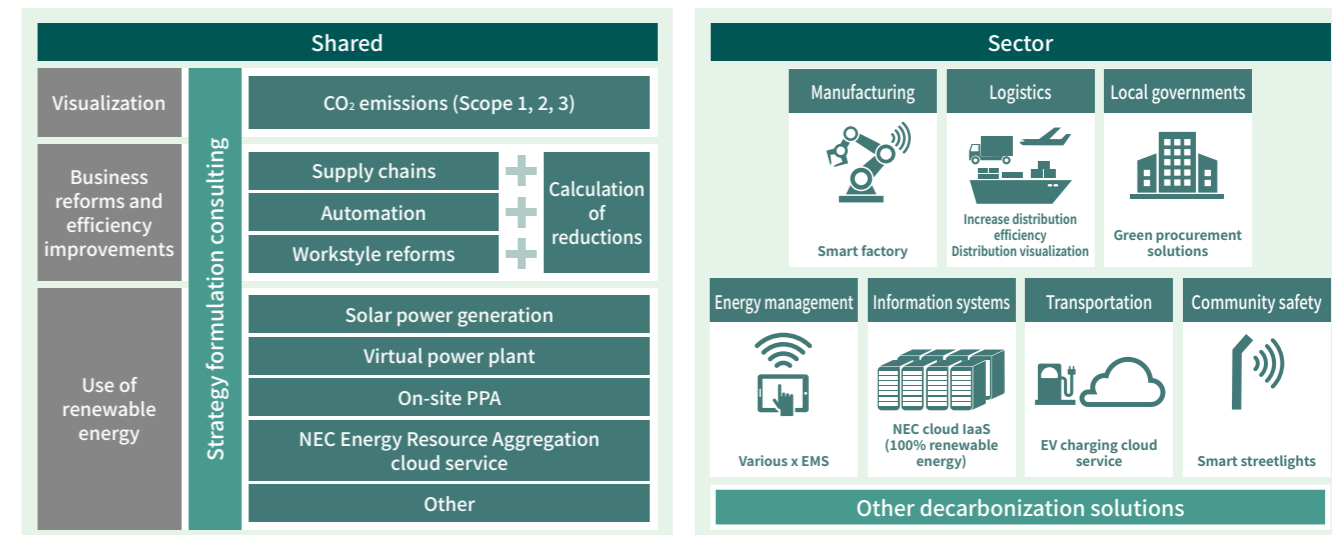
Note: Materials adapted from those produced by Green Pacific Co., Ltd.

Scope 3: Emissions produced throughout the supply chain



2. Increase Contributions through Businesses

Utilizing NEC's Decarbonization Solutions to Support Customers' Decarbonization Efforts



For more details, please refer to the "Risks and Opportunities for All of NEC" section on page 44 of Sustainability Report 2022.

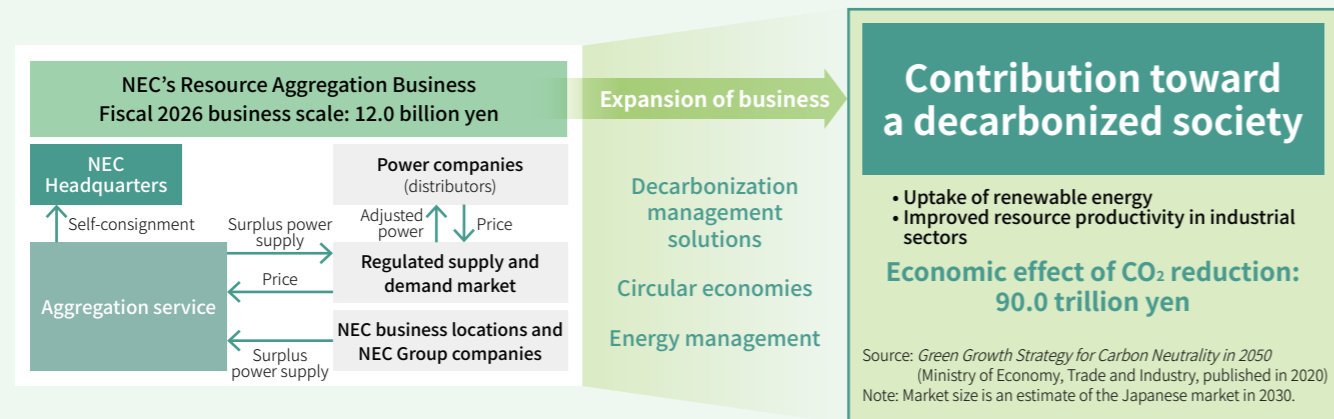
NEC's Business Model

Living Harmoniously with the Earth to Secure the Future

Growth Businesses Aimed at Creating Social Value—Business Related to Carbon Neutrality

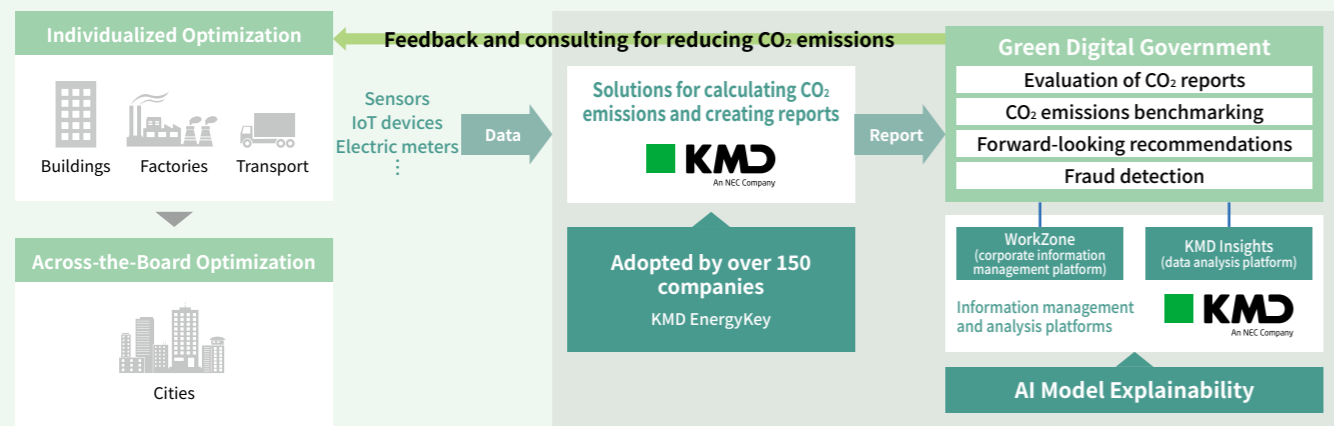
○ NEC's Resource Aggregation Business

NEC operates businesses related to carbon neutrality among its growth businesses as part of its social contribution efforts. With the increased popularity of electric vehicles (EVs) and all-electric housing and other factors increasing power demand, resource aggregation businesses facilitate optimal and efficient energy use by matching companies with surplus electricity generated from renewable energy sources.



○ Green Digital Government Business: Putting KMD's Knowledge to Work

KMD has introduced decarbonization process management to more than 150 companies at the local and national government levels, and continues to expand globally.



○ Expanding Decarbonization Solutions

Since roughly fiscal 2021, we have received many inquiries about co-creation and collaboration regarding solutions for visualizing CO₂ emissions for the purpose of decarbonization, and related projects have increasingly led to actual business.

Results for the Second Half of Fiscal 2022 (48 Companies in Total)

Business / Industry	Number of companies	Co-creation / Collaboration	Introduction of activities / Opinion exchanges	CO ₂ visualization (including Scope 3)	Proposal of decarbonization solutions	Other
Manufacturing	11	●	●	●	●	
Information services	8	●	●	●	●	●
Finance	7	●	●	●	●	
Trading	6	●	●	●	●	
Retail	4	●	●	●	●	●
Telecommunications	4	●	●	●	●	
Local governments	4 (institutions)	●	●	●	●	
Other	4	●	●	●	●	●

● : Very high interest ● : High interest ● : Interest shown

Outline of Initiatives Based on TCFD Recommendations

Item	Description
Governance	<ul style="list-style-type: none"> Report to the Board of Directors important issues related to the environment, including climate change Based on environmental management rules, clarify roles, responsibilities, and authorities of organizations related to promoting environmental management
Strategy	<ul style="list-style-type: none"> Set key material issues for management of climate change Examine countermeasures and identify risks and opportunities over the short, medium, and long term caused by climate change, based on multiple scenarios Mitigation (decarbonization) leads to business opportunities/Develop appropriate solutions and expand provision Implement measures toward decarbonization, manage outcomes
Risk management	<ul style="list-style-type: none"> Assess risks under Environment-oriented Management Implementation Framework and with Risk Control and Compliance Committee Advance activities to address potential and materialized risks, understand results and issues, and examine future plans to reduce and prevent risks
Indicators and Achievements	<p>Fiscal 2026 targets</p> <ul style="list-style-type: none"> Effectively zero CO₂ emissions (Scope 1, 2, 3) Utilize 100% renewable energy (RE100) <p>Fiscal 2031 targets</p> <ul style="list-style-type: none"> Set SBT 1.5°C targets Reduce Scope 1 and 2 emissions by 55% (compared with fiscal 2018 level) and Scope 3 (Category 1, 3, and 11) by 33% (compared with fiscal 2018 level)

Water Risk Management and Effective Water Usage

NEC works in compliance with environmental laws and regulations to reduce water usage and environmental impact. We are also employing water risk management practices, which include addressing the issues of water outages, water pollution, and flooding.

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

Resource Circulation and Pollution Prevention

NEC strives to lessen environmental impact through initiatives aimed at resource circulation and waste reduction across every process, from production through to usage and recycling. In particular, we are working to collect and recycle hardware products that have been used by customers, since many resources are used in their production.

Risk / Opportunity	Description	Risk reduction measures / Specific opportunities
Risk	Tighter relevant regulations at home and abroad require time and resources to appropriately address. If the response is delayed, it may affect NEC's competitiveness and reputation.	Utilize collection of information before the enactment of regulations to facilitate an early response.
Opportunity (economic value)	Market expansion of circular economy-related businesses continues to progress and new markets continue to open up.	Growing demand for NEC bioplastic products, and AI tools for food loss countermeasures.

Biodiversity

NEC strives to minimize the impact of business activities and employees' actions on living organisms, and to actively encourage activities that contribute to biodiversity while providing ICT solutions.

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

For more details, please refer to pages 46 to 50 of Sustainability Report 2022.

External Evaluations Regarding the Environment

NEC was included in the CDP2021 "A List" for both Climate Change and Water Security, marking three consecutive years of inclusion. NEC was also listed on the CDP's Supplier Engagement Leaderboard, the highest rating conducted by the CDP for supplier engagement.



Management That Supports Corporate Value Creation

Respecting Human Rights

As a company that operates its business globally, NEC is committed to mitigating and preventing any negative impacts its corporate activities may have on the rights of its stakeholders. In particular, by making use of ICT, including social implementation of AI and utilization of biometrics and other data, each and every member of the Group, from executives to employees, shall maintain respect for human rights and view this issue as a top priority, making it a central theme to the Group's conduct and business practices.

NEC Group Human Rights Policy

In 2015, NEC formulated the NEC Group Human Rights Policy, declaring its intention to advance initiatives to promote respect for human rights across its entire value chain through dialogue and consultation with stakeholders and by implementing human rights due diligence.

In June 2022, this policy was revised and these revisions clearly show senior management's commitment to respecting human rights as well as its governance system, as required by the United Nations Guiding Principles on Business and Human Rights (UNGPs). The policy's revisions were reported to the Board of Directors in fiscal 2023.

The NEC Group Human Rights Policy applies to all officers and employees of NEC and its consolidated subsidiaries, including fixed-term contract employees, temporary employees, and part-time employees. We also encourage our suppliers, business partners, and customers to understand this policy and share our commitment to respecting human rights.

* For further details on the NEC Group Human Rights Policy (Revised June 2022), please visit the following URL: https://www.nec.com/en/global/csr/pdf/human_rights_en.pdf

Promoting Human Rights Due Diligence in Accordance with the UNGPs

In fiscal 2020, we utilized the human rights risk data of the international NPO Business for Social Responsibility (BSR) to compile a list of NEC's human rights issues. From this list, three salient human rights issues were identified and reported to the Board of Directors in fiscal 2021—new technology and human rights (AI and human rights), labour in supply chains, and employee safety and health.

In fiscal 2021, from a third-party standpoint BSR conducted interviews targeting 22 divisions with a particular focus on business divisions to confirm the specific details of the business activities and management systems of these divisions as well as the issues they face in front-line operations. Subsequently, the list of human rights issues was updated to better reflect actual situations.

In fiscal 2022, we also conducted a gap analysis at the corporate level with the UNGPs and leading global companies as part of efforts to visualize issues at NEC. Results of the analysis made it clear that, to prevent and mitigate human rights risks according to global trends, NEC needs to clarify its system for governing respect for human rights as well as its policy regarding human rights initiatives, and it must also respond to risks from the impact of conflicts and in high-risk countries and regions, which are general issues within NEC.

Therefore, in fiscal 2023, the Risk Control and Compliance Committee furthered discussions with the Sustainability Advisory Committee regarding human rights associated with geopolitical risks and the newly identified "human rights risks related to geopolitical situations and conflicts" as a salient human rights issue. From these discussions a resolution was reached, which was then reported to the Board of Directors and made as part of an effort to improve NEC's system for preventing and mitigating human rights violations in the value chain.

For more details, please refer to "The Progress of Sustainability Promotion and Our Response to the Human Rights Risks under Purpose-driven Management" on page 9 of *Sustainability Report 2022* and "Topic: Respecting Human Rights" on page 17 of the same report.

NEC's Human Rights Issues

- New technology and human rights (AI and human rights)
- Human rights risks related to geopolitical situations and conflicts
- Labour in supply chains
- Employee safety and health

Employee Safety and Health

NEC establishes targets for each fiscal year in accordance with its Companywide OH&S Policy Action Guidelines and the NEC Group Health Declaration. To meet these targets, we prepare and implement specific measures for each in-house geographical area, business site, and consolidated subsidiary in Japan. Regarding indicators for these measures, we set KPIs based on the World Health Organization's definition of health as "a state of complete physical, mental, and social well-being." Furthermore, the CHRO works under the direction of the CEO to oversee activities related to OH&S throughout the Company, including risk management, and then report on these activities to the Board of Directors.

New Technology and Human Rights (AI and Human Rights)

In accordance with the NEC Group Human Rights Policy, we are committed to the following three initiatives:

1. Ensure that all products and services are implemented and utilized by NEC employees, customers, and partners appropriately
2. Continue to develop advanced technology and talent to further promote AI utilization with respect for human rights as the highest priority
3. Engage with a range of stakeholders to build partnerships and collaborate with closely

In addition, we are actively involved in the following engagement and knowledge-sharing activities in order to promote proper usage of AI, not only within the NEC Group but throughout society as a whole.

For more details, please refer to the "AI and Human Rights" section on page 64 of *Sustainability Report 2022*.

Participation in Discussions on AI and Public Interest at Davos Annual Meeting 2022

At the World Economic Forum Annual Meeting 2022, President Morita participated in a panel discussion, titled "AI on the Street: Managing Trust in the Public Square." During the discussion, he gave his opinions in response to the question "How can we make sure the use of AI in public services and spaces does not go against the public interest?" highlighting the following points.

- It is important to alleviate society's concerns about technology and build trust in the technology and its bearers.
- It is important to use case studies to foster a common understanding among the government, the private sector, and the general public, regarding how technology can benefit the public.
- In addition to public institutions, private companies should have a hand in creating governance frameworks related to the proper use of technology to ensure accuracy and transparency of technologies and protect privacy of individuals. This involvement will ensure trust in the systems and ultimately trust in AI.



Davos Annual Meeting 2022, panel discussion "AI on the Street"
Source: World Economic Forum

Labour in Supply Chains

NEC has designated "supply chain sustainability" as a material issue (materiality) and is enhancing cooperative ties with its suppliers through collaboration and co-creation. To address "labour in supply chains," positioned as a salient human rights issue, we are moving forward with efforts such as inspections, audits, and corrective measures using a risk-based approach.

Toward Further Development of Human Rights Initiatives in Procurement

Since 2019, NEC has held regular dialogue sessions between executives, on-site supervisors, and external experts on human rights issues that can arise in procurement.

For the dialogue held in fiscal 2022, we invited back experts from the dialogue in fiscal 2021: Daisuke Takahashi, representing Shinwa Law Offices, Ryusuke Tanaka, representing International Labour Organization (ILO) Office for Japan, and Asako Nagai, representing Business for Social Responsibility (BSR). During the session, they looked back on sustainable procurement activities over the past year and discussed issues related to human rights initiatives. These experts also gave their opinions on what initiatives are needed going forward and their expectations of NEC over the medium to long term amid ongoing legislation regarding human rights, centered mainly in the United States and Europe.

For more details, please refer to the "Toward Further Development of Human Rights Initiatives in Procurement" section on page 92 of *Sustainability Report 2022*.



Management That Supports Corporate Value Creation

Supply Chain Sustainability

NEC endeavors to work not only within itself but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole, in order to gain the trust of society and to help create sustainable social value.

Promoting Initiatives in Collaboration with Our Suppliers

Sustainable procurement activities of the entire NEC Group are under the responsibility of the Chief Supply Chain Officer (CSCO). Decisions are made by the Procurement Steering Committee chaired by the Senior Director of the Sourcing and Purchasing Department. International subsidiaries conduct activities under the Global SCM Leaders Session, which meets annually, as the decision-making body.

Guided by the Global SCM Leaders Session, we promote sustainable procurement in accordance with the culture and business practices of each country.

In addition, the NEC Group Procurement Policy and the Guidelines for Responsible Business Conduct in Supply Chains require our suppliers, including upstream business partners, to implement responsible business conduct and identify the six priority risks.

With regard to human rights, the NEC Group Procurement Policy clearly rejects slavery and human trafficking, and the Guidelines for Responsible Business Conduct in Supply Chains prohibit forced labour and child labour, while respecting workers' right to organize. The policy and guidelines also require appropriate wages and management of work hours.

Moreover, we perform due diligence on human rights in accordance with the Guidance from the OECD, identify and evaluate risks, and take steps to mitigate risks.

Six Priority Risks at Our Suppliers

Human Rights and Labour Practices	Product Quality and Safety
Fair Trading and Ethics	Environmental Requirements
Information Security	Health and Safety

Document Checks, Evaluation of Results, and Feedback

NEC conducts self-assessments in order to assess the status of supplier compliance with requirements and initiatives relating to the fields of human rights, occupational health and safety (OH&S), the environment, fair trading and ethics, and information security.

For one type of these document checks—sustainable procurement self-check sheets—we newly added important inspection themes for foreign national technical intern programs and COVID-19 countermeasures. We received responses from 956 companies out of the 1,015 companies we queried, and evaluated the status of each supplier on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: “score rate” and “critical points.”* We will implement support for suppliers that received Z ratings aimed at correcting these issues during the first half of fiscal 2023 through supplier engagement, such as understanding the conditions and providing correctional guidance.

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

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

Human Rights Due Diligence

In October 2020, the Japanese government formulated and published the National Action Plan on Business and Human Rights, and legal frameworks for preventing human rights abuses in supply chains have been updated abroad. With labour in supply chains being identified as a salient human rights issue, NEC improved its efforts at due diligence in human rights, in addition to its ongoing initiatives.

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

Step 1	<ul style="list-style-type: none"> Gather and evaluate information about risks specific to the ICT sector, regions, and NEC companies based on the ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights, the International Trade Union Confederation (ITUC)'s 2020 ITUC GLOBAL RIGHTS INDEX, other external research reports, and internal analysis of our procurement structure
Step 2	<ul style="list-style-type: none"> Identify high-priority business domains while referencing results of international NPO BSR's evaluations of human rights impact (human rights risks to workers in manufacturing processes at overseas plants of suppliers, including outsourced production, human rights risks to foreign national apprentice interns in technical trainee programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development)
Step 3	<ul style="list-style-type: none"> Conduct third-party audits by an external auditing firm that specializes in human rights. We have selected three suppliers based on evaluation of scope and nature of potential impacts, while mapping the aforementioned risks across suppliers. Nonconformance incidents identified in these audits (i.e., foreign national employees have not received employment rule handbooks or explanations; no human rights policy) will be subject to risk mitigation measures based on assessments of the impact from such risks while seeking counsel from outside experts.

Stakeholder Engagement

Education and Awareness-raising Activities

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

Strategic Supply Chain Partners Meeting

NEC holds exchange meetings with strategic supply chain partners each year for its main strategically important suppliers. We require these suppliers to understand and cooperate with the NEC Group's sustainable procurement activities, centered mainly on human rights, labour, OH&S, the environment, and information security. Moreover, during the meetings, NEC bestows Sustainability Awards on suppliers that make significant contributions to advancing sustainability initiatives.

The meeting in December 2021 was held online, and 426 members of the management at 194 suppliers from around the world participated.

Update to Grievance Mechanism

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

In fiscal 2022, a total of six reports were issued via the Compliance Hotline about procurement issues. After verifying the relevant facts, all six reports were dealt with appropriately.

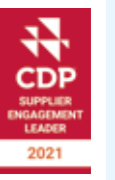
NEC Awarded the Highest Rating for Supplier Engagement by the CDP

Through the CDP Supply Chain Program run by the CDP, an environmental NGO that NEC partnered with in 2019, NEC surveyed the climate change initiatives of 70 companies, mainly hardware suppliers, in fiscal 2022, and provided feedback on the results of the survey.

NEC has been acknowledged on the Supplier Engagement Leaderboard, the highest rating in the Supplier Engagement Rating* conducted by the CDP.

We recognize that our various efforts to aim for zero CO₂ emissions from supply chains under NEC's long-term environmental goal, Course of Action for Climate Change Toward 2050, have been highly evaluated.

* The Supplier Engagement Rating examines a company's initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain and gives a rating based on these efforts.



Dialogue with Outside Directors

As business conditions become increasingly unclear, corporate governance is becoming increasingly important. Amid these trends, Outside Directors Kuniharu Nakamura and Christina Ahmadjian sat down for a candid exchange of opinions on NEC's corporate governance and cultural transformation.

Assessing the Board of Directors

Nakamura

I have served as an outside director for NEC for three years, and I do believe that the Company's corporate governance has improved over that time. Discussions on the composition of the Board of Directors are based on a matrix of members' career experience and skills. I think that this increases the effectiveness of the Board because it ensures that the Board is made up of people from a range of backgrounds, such as people with experience in corporate management and those with knowledge of administration and foreign diplomacy. This means that the Board can discuss matters from several very different perspectives. More than anything, I feel like I can speak my mind, and that sort of environment is such an important thing to have. Adding to this, there have been some recent efforts to make these conversations more lively. In the past, a lot of time was spent on explanations, but now we can attend preliminary briefings for these explanations, which allows us to focus on discussing essential topics. In addition, in order to get a deeper understanding of important items on the agenda, we hold off-site meetings separate from Board meetings, which provide us with opportunities to exchange opinions with executives, making it easier for us outside directors to convey our thoughts.

Ahmadjian

I agree. I think NEC's Board of Directors is highly effective as well. But, when you look at the Board in terms of diversity, I feel that there are slight issues with respect to the age range and the global business perspective of the Board. Surely the Board would benefit from inviting, for example, someone young with management skills, or someone with management experience at global companies, or a person with experience engaging with global investors. The presence of such people would help steer the Board toward even better results. I think the good thing about a diverse Board is that active and more constructive



Kuniharu Nakamura

Outside Director

Christina Ahmadjian

Outside Director

discussions can be had among members with different sensibilities. I should also add that I do not believe that a Western-style form of governance is ideal either. The Board should focus on improving corporate value over the long term, not just based on short-term results, and should continue to make the diversity of its members a point of discussion.

On NEC's Cultural Transformation and Employee Engagement

Nakamura

I have heard from people both inside and outside of NEC that the Company has changed quite a bit. I believe that this is the result of many efforts, such as instilling the NEC Way and improving workstyles and other systems, starting to bear fruit. I believe that the town hall meetings, where President Morita himself talks directly with employees, have had a particularly strong effect on improving employee engagement. Most employees do not get many chances to actually meet the senior management of their company in their regular workday, so I think this initiative

is a very good way to bridge the gap and is something that I hope will continue in the future.

Ahmadjian

NEC improved its employee engagement score by 10 points in one year, a remarkable achievement, and I hope it will continue to rise even higher in the future. NEC needs to keep a close eye on engagement among its young employees since they will be the ones responsible for NEC in the future. Communication with senior management is, of course, important, but I believe that direct supervisors have the greatest impact on employee motivation. This suggests that NEC should check and see how engaged these young employees are with their superiors.

Nakamura

That's right. I would also like to visit NEC offices and talk directly with employees in the field and see to what extent the ideas of the Company and the president reach them. I believe it is important that employees understand a company's ideas and the role they play within these ideas. In addition, a company needs to engage in dialogues, discussions, and other forms of two-way communication

with its employees to ensure the employees fully connect with these ideas. This is key to improving employee engagement further.

Ahmadjian

Non-Japanese employees also need to be engaged in order to improve NEC's competitiveness as a global company. If employees leave a company feeling unengaged, people around them will avoid that company as a potential place of employment, which could prevent the company from acquiring the best and brightest. With that in mind, I want to see NEC be extra cognizant of the engagement levels of young and foreign employees and remain mindful of the abilities of these employees' supervisors.

Expectations for NEC Going Forward

Nakamura

First and foremost, NEC needs to accomplish the goals of the Mid-term Management Plan 2025. Time and time again, NEC has fallen short of the goals put forth in these plans, costing it the trust of its investors and other stakeholders. Trust is the cornerstone of corporate management, and employees should know that winning this trust back will take a great deal of time and effort. I would also like NEC to build trust by making steady progress business-wise, implementing its cultural transformation reforms and delivering on its promises. It is also important for NEC to provide a clearer image of what it is as a company. There are likely some stakeholders who see NEC for its abundance of superior technology but feel left in the dark about its specific business and its vision for the future. In order to quell this feeling, I would like to see NEC increase its social value by providing specific details as to how it will use its technology to contribute to society and do so in an easy-to-understand manner.

Ahmadjian

I would also like to see NEC demonstrate its excellence, and put its unique capabilities on display, both in Japan and abroad as well. NEC not only has unique and best-in-class technological capabilities but also an open and flat corporate culture, with strong leadership from its management team. I hope that by highlighting these points in a clear, understandable way the Company will acquire their most important resources, human resources.

Dialogue

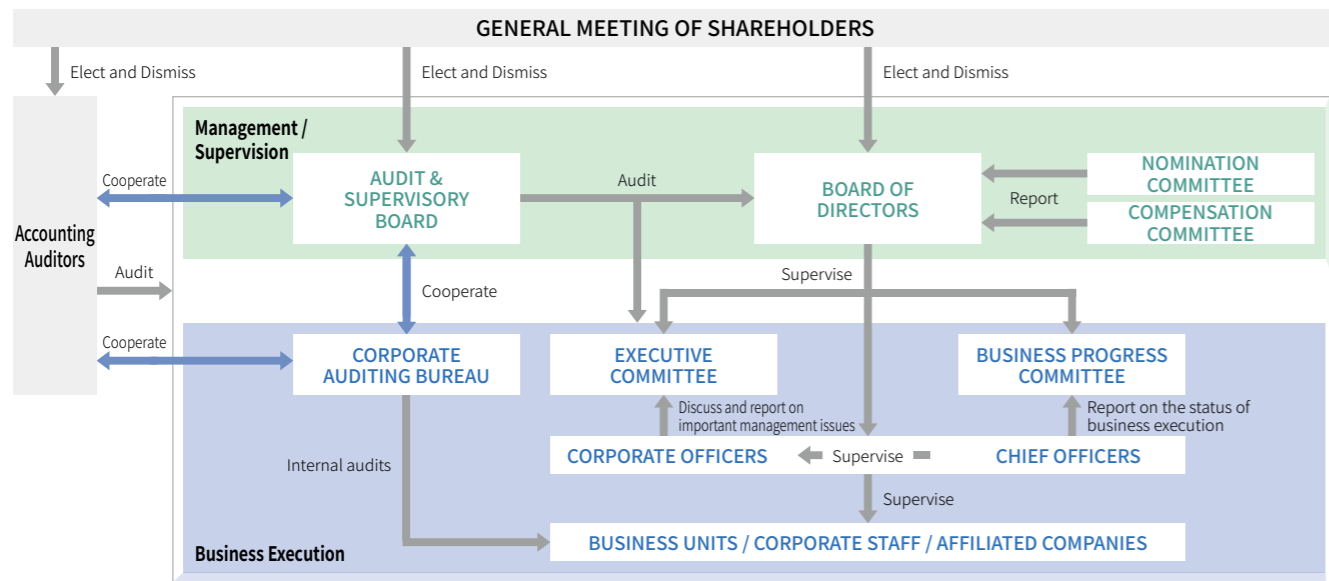
Corporate Governance

Reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value. Therefore, NEC Corporation (the “Company”) is committed to strengthening its corporate governance practices through: 1) Assurance of transparent and sound management; 2) Realization of prompt decision-making and business execution; 3) Clarification of accountability; and 4) Timely, appropriate, and fair disclosure of information.

Overview of Corporate Governance System

The Company has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU) (“A&SBMs”) to provide a double-check process: the Board of Directors supervises business execution and the Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”) audits the legality and validity of the Company’s activities. Furthermore, the Company has established a hybrid structure by utilizing a corporate officer system, a chief officer system, and two committees, the Nomination Committee and the Compensation Committee, which were established voluntarily and comprise a majority of Independent Outside Directors. In this way, the Company separates business execution from management supervision and has been working to ensure transparent and sound management, and timely decision-making.

In the future, the Company will focus its efforts on enhancements and improvements of this system in order to realize more effective corporate governance, responding to changes in the business environment.



Business Execution

	Purpose, Activities, and Number of Meetings	Members
Executive Committee	The Executive Committee discusses important NEC Group management issues such as policies and strategies. This committee extensively discusses matters of particular importance prior to putting them forward to the meetings of the Board of Directors for approval. In doing so, the committee enhances the deliberations and ensures appropriate decision-making. (Number of meetings in fiscal 2022: 14)	Approximately 20 corporate officers
Business Progress Committee	The Business Progress Committee deliberates and reports on matters related to the status of the NEC Group’s business execution, such as monitoring progress with respect to budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency. (Number of meetings in fiscal 2022: 12)	Corporate officers, managing directors, and other members

Management and Supervision

	Purpose, Activities, and Number of Meetings	Members
Board of Directors	<p>The Board of Directors is responsible for making important decisions for the Company’s business execution, including decisions on its basic management policies, in addition to supervising overall business execution. It holds regular meetings basically once a month and extraordinary meetings as necessary.</p> <p>Main Matters Discussed in Fiscal 2022 (Number of meetings: 14)</p> <p>Items Related to Management Policies and Management Strategy</p> <ul style="list-style-type: none"> Progress report for the Mid-term Management Plan 2025 and discussion of strategies for achieving targets (global 5G, DX of Japan IT business, R&D × new business incubation, transformation of people and culture, etc.) Initiatives for cyber security Marketing strategy Initiatives to promote sustainability (materiality, the environment, human rights, etc.) <p>Items Related to Governance</p> <ul style="list-style-type: none"> Report on internal auditing Report on the progress of the establishment and implementation of the internal control system (including Priority Risks to be addressed) Evaluation of the effectiveness of the Board of Directors Determination of candidates for Directors and A&SBMs Sale of strategic shareholdings 	<p>10 Directors</p> <p>Chairperson of the Board (Chairman of the Board of Directors)</p> <p>6 non-executives</p> <p>4 corporate officers</p> <p>5 Independent Outside Directors</p> <p>5 Inside Directors</p> <p>Female</p>

The Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

Nomination Committee (Since June 2022)	<p>The Nomination Committee deliberates and makes resolutions on (i) nomination for Directors, Representative Directors, and A&SBMs and (ii) nomination of the Chairman of the Board and the President, including succession planning for the President from an objective, transparent, and fair perspective. The committee reports the results of its deliberations to the Board of Directors.</p> <p>Main Matters Discussed in Nomination Committee and Compensation Committee in Fiscal 2022 (Number of meetings: 8)</p> <p>Nomination-related</p> <ul style="list-style-type: none"> Change in maximum tenure for the Chairman and corporate officers Strengthening of the Board structure and selection of candidates Nomination of Directors, A&SBMs, and important corporate officers Succession planning for the President 	<p>4 Directors</p> <p>All non-executive</p> <p>3 Independent Outside Directors Kuniharu Nakamura (Chairperson) Masatoshi Ito Masashi Oka</p> <p>1 Inside Director Takashi Niino</p> <p>The majority of the committee members are Independent Outside Directors, and the chairperson is appointed from among the Independent Outside Directors.</p>
Compensation Committee (Since June 2022)	<p>The Compensation Committee (i) establishes and revises remuneration systems for Directors and corporate officers; (ii) determines remuneration payments for Directors; and (iii) conducts other important matters pertaining to the remuneration for Directors or corporate officers from an objective, transparent, and fair perspective. The committee reports the results of its deliberations to the Board of Directors.</p> <p>Compensation-related</p> <ul style="list-style-type: none"> Improvement of remuneration system for bonus Decision on bonus payment for Directors Monitoring of payment amounts to Directors based on remuneration system <p>Other</p> <ul style="list-style-type: none"> Change in structure of Nomination and Compensation Committee 	<p>4 Directors</p> <p>3 Independent Outside Directors Masashi Oka (Chairperson) Kuniharu Nakamura Christina Ahmadjian</p> <p>1 Inside Director Takayuki Morita</p> <p>The majority of the committee members are Independent Outside Directors, and the chairperson is appointed from among the Independent Outside Directors.</p> <p>Female</p>

Audit & Supervisory Board (KANSAYAKU-KAI) (“A&SB”)	<p>The Audit & Supervisory Board holds regular meetings basically once a month and extraordinary meetings as necessary, decides on audit policies, standards, the annual auditing plan and other matters, and receives status reports on audits and on other matters from each A&SBM.</p> <p>Main Activities in Fiscal 2022 (Number of meetings: 15)</p> <ul style="list-style-type: none"> Creation of audit policy and plan Discussion and drafting of audit report Matters related to the selection and dismissal of accounting auditor Confirmation of establishment and implementation of internal control system Exchange of opinions with the President regarding priority management issues Receipt of oral reports on audits from the accounting auditor and the Corporate Auditing Bureau Evaluation of the effectiveness of the A&SB 	<p>5 A&SBMs</p> <p>Outside A&SBMs (3, all Independent A&SBMs)</p> <p>2 Inside A&SBMs</p> <p>Female</p>
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In appointing Directors and A&SBMs, when an appointee serves as a Director or A&SBM of other public companies, it is desirable that the number of concurrent positions does not exceed the numbers specified as follows:

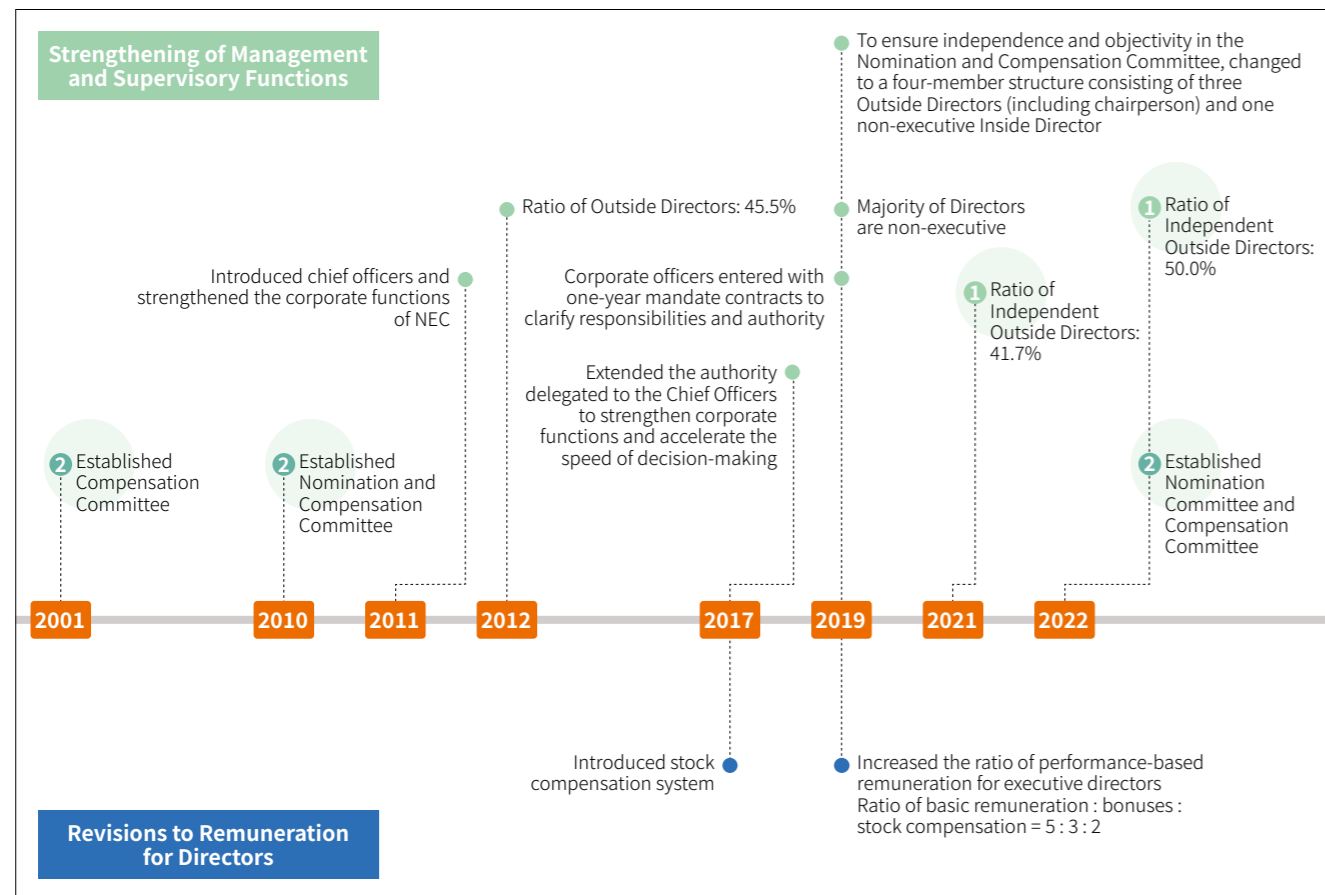
- When an appointee serves as an executive of the Company or another company: only one company in addition to the company where a candidate for Director or A&SBM serves as an executive
- In cases other than the above: up to four companies in addition to NEC Corporation

However, if a Director or A&SBM serves in multiple roles concurrently at group companies of the Company or another public-listed company, the concurrent roles within the group companies shall be deemed as roles in one company.

Management That Supports Corporate Value Creation

Corporate Governance

Main Initiatives for Strengthening Corporate Governance



Strengthening of Management and Supervisory Functions

1 Enhancing the Board of Directors System

In fiscal 2021, the Nomination and Compensation Committee engaged in heavy deliberations focusing on measures aimed at enhancing the structure and role of the Board of Directors in order to improve corporate value further. After defining the career skills of the Board of Directors needed as a whole and evaluating the Board's current composition, it became clear that it was necessary to strengthen corporate governance and deepen multifaceted discussions on Companywide strategies at Board meetings. In response, the Company added one Independent Outside Director in fiscal 2022. This increase in the number of Independent Outside Directors, who possess specialized experience and knowledge in risk management, sustainability, and global management, is aimed at increasing the diversity and the proportion of Independent Directors among the Board and at promoting deeper discussion during Board meetings. Furthermore, in fiscal 2023, the Company decreased the number of Directors from 12 to 10 in order to strengthen the corporate governance system by increasing the ratio of Independent Outside Directors and enable more flexible decision-making at Board meetings.

As a result, the Company achieved its goals with regard to increasing the proportion of Independent Directors, women, and non-Japanese on the Company's Board of Directors and raising its overall independence and diversity.

	2020	2021	2022
Independent	36.4% (4)	41.7% (5)	50.0% (5)
Non-executive	54.5% (6)	58.3% (7)	60.0% (6)
Female	9.1% (1)	16.7% (2)	20.0% (2)
Non-Japanese	0.0% (0)	8.3% (1)	10.0% (1)
Total number of Directors	11	12	10

(As of June 30 of each year)

Career Skill Matrix for Directors

The Company's Nomination and Compensation Committee (the Nomination Committee from June 2022) 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 in the future and other matters.

	Years served as Director*	Corporate management	Technology	Global business	Financial accounting/Investment	Risk management	Sustainability/ESG	Marketing
Chairman of the Board	Takashi Niino	11	●	○	○	●	●	●
President and CEO (Chief Executive Officer) (Representative Director)	Takayuki Morita	6	●	○	●	●	●	●
Executive Vice President, CHRO (Chief Human Resources Officer), CLCO (Chief Legal & Compliance Officer) and Member of the Board	Hajime Matsukura	5	○	○	○	●	●	○
Executive Vice President, CTO (Chief Technology Officer) and Member of the Board	Motoo Nishihara	3	○	●	●	○	○	○
Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)	Osamu Fujikawa	—	○	●	●	○	●	○
Member of the Board	Noriko Iki	4	●	○	○	●	●	○
Member of the Board	Masatoshi Ito	3	●	○	○	●	●	●
Member of the Board	Kuniharu Nakamura	3	●	○	○	●	●	●
Member of the Board	Christina Ahmadjian	1	○	○	○	●	●	○
Member of the Board	Masashi Oka	—	○	○	○	●	○	○

○ Areas in which Director has deep insight ● Areas in which Director has extensive experience in addition to deep insight

* As of June 30, 2022

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	Leadership experience in multinational firms or specialized knowledge on global markets
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, people with 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

2 Nomination of Officers and Building a Remuneration System to Strengthen Our Governance

The Company established the Compensation Committee in 2001, and the Nomination and Compensation Committee in 2010, which had the added function of deliberating on the nomination of officers. Altogether, this committee deliberated on the nomination and compensation of officers from an outside perspective. For the purpose of enhancing deliberations and deepening discussions on matters related to nominations and compensation, the Company has established and operates a Nomination Committee and a Compensation Committee in place of the Nomination and Compensation Committee since June 2022.

The Nomination Committee also deliberates on succession planning for the President. The Company selects and trains suitable personnel as future candidates for President and executive positions, and the Nomination Committee also looks into policies that will help develop the next generation of human resources.

The Compensation Committee deliberates on matters that include revisions to the Company's remuneration system and the appropriateness of remuneration amounts.

The efforts of these committees will strengthen corporate governance over the medium to long term.

Management That Supports Corporate Value Creation

Corporate Governance

Revisions to Remuneration for Directors

Our Approach to Remuneration for Directors and A&SBMs

To maximize corporate value and strengthen its competitiveness, the Company's basic policy on the remuneration for Directors and A&SBMs is to set the level and structure 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. In order to ensure objectivity and appropriateness of the remuneration for Directors and A&SBMs, the level of remuneration is determined upon the results of a third party's investigation regarding the remuneration levels of other companies whose business operations and scale are similar to those of the Company.

In 2017, the Company introduced the stock compensation system, and in 2019, the Company increased the ratio of performance-based remuneration for executive directors. The ratio of bonuses and performance-based stock compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

In addition, the Company has established "Guidelines on Ownership of Company Shares" for Directors (excluding Outside Directors) and corporate officers regarding the holding of more than a certain number of shares.

Type	Basic Remuneration	Bonuses			Stock Compensation		
	Fixed remuneration paid monthly	Short-term incentive Performance-based and payment rate from 0% to 200%			Medium- to long-term incentive Performance-based stock compensation Performance-based and payment rate from 0% to 100%	Fixed stock compensation	
Indicators	For some executive directors, basic remuneration increases or decreases based on performance (performance indicators include non-financial indicators such as practical implementation of the NEC Way and our "materiality"—priority management themes from an ESG perspective).	Group-wide performance-based component	Business-unit performance-based component		The NEC Group's • Consolidated revenue • Adjusted operating profit • Adjusted net profit attributable to owners of the parent	—	
		• Consolidated revenue • Adjusted consolidated operating profit • Free cash flows	Fiscal year budget portion	Mid-term plan portion			
			• Consolidated revenue • Adjusted operating profit • Free cash flows, etc. (for the business unit overseen by Director)	Set each fiscal year			
Ratio	Inside Directors (executive directors)	50%	30%			15%	5%
	President		100%	—	—		
	Executive Vice President		40%	30%	30%		
	Inside Directors (non-executive directors)	80%	—			15%	5%
	Outside Directors, and Inside and Outside A&SBMs	100%	—			—	—

Notes: 1. Shares from stock compensation are granted after three years from the beginning of the applicable period.
2. Under the stock compensation system, provisions have been included that allow the Company to take action in cases where compliance breaches or inappropriate accounting treatment have been confirmed. In such cases, the Company may withhold all or part of the rights to receive a grant of its shares prior to the granting of its shares; or after the granting of the Company's shares, the Company may demand the return of all or part of the granted shares of the Company.

For more details on remuneration for Directors and A&SBMs, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Amounts of Remuneration for Fiscal 2022

	Basic Remuneration		Bonuses		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 stock compensation (in millions of yen)	Headcount	Cost posting relating to stock compensation (in millions of yen)
Directors (of which Outside Directors)	12 (6)	456 (91)	5 —	131 —	6 —	100 —	6 —	34 —
A&SBMs (of which Outside A&SBMs)	6 (3)	107 (47)	— —	— —	— —	— —	— —	— —

The above headcount of remuneration includes one A&SBM (KANSAYAKU) who retired on June 22, 2021.
Among the above recipients, the following have a total remuneration amount of ¥100 million or higher.
Nobuhiro Endo: Total remuneration amount: ¥123 million (basic remuneration: ¥95 million; performance-based stock compensation: ¥28 million)
Takashi Niino: Total remuneration amount: ¥139 million (basic remuneration: ¥75 million; bonus: ¥36 million; performance-based stock compensation: ¥28 million)
Takayuki Morita: Total remuneration amount: ¥125 million (basic remuneration: ¥75 million; bonus: ¥36 million; performance-based stock compensation: ¥14 million)

Continuing to Increase and Improve Effectiveness

Evaluation of Effectiveness

As stated in the NEC Corporate Governance Guidelines, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year and improves the function of the Board of Directors, and discloses a summary of the results of such analysis and evaluation. The Company also conducts evaluations of the effectiveness of the Nomination and Compensation Committee (the Nomination Committee and the Compensation Committee from June 2022), and the A&SB in the same manner.

For more details about evaluations of effectiveness, please refer to NEC's *Corporate Governance Report*.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Attendance Rate, the Number of Meetings Held and Attended by Each Director and A&SBM for Meetings of the Board of Directors, the Nomination and Compensation Committee, and the Audit & Supervisory Board (KANSAYAKU-KAI) in Fiscal 2022

Directors	Board of Directors	Nomination and Compensation Committee	A&SBMs	Board of Directors	Audit & Supervisory Board (KANSAYAKU-KAI)
Takashi Niino	100% (14/14)	—	Nobuhiro Odake*1	100% (11/11)	100% (11/11)
Takayuki Morita	100% (14/14)	—	Nobuo Nakata	92.9% (13/14)	100% (15/15)
Hajime Matsukura	100% (14/14)	—	Masami Nitta	92.9% (13/14)	100% (15/15)
Motoo Nishihara	100% (14/14)	—	Hajime Kinoshita*3	100% (3/3)	100% (4/4)
Noriko Iki	100% (14/14)	—	Isamu Kawashima*2	100% (14/14)	100% (15/15)
Masatoshi Ito	100% (14/14)	100% (8/8)	Taeko Ishii*2	100% (14/14)	100% (15/15)
Kuniharu Nakamura	100% (14/14)	100% (8/8)			
Christina Ahmadjian*1	100% (11/11)	—			
Nobuhiro Endo*2	92.9% (13/14)	100% (8/8)			
Norihiko Ishiguro*2	100% (14/14)	—			
Kaoru Seto*2	100% (14/14)	100% (8/8)			
Jun Ohta*2	100% (14/14)	—			

*1 Appointed June 2021
*2 Retired June 2022
*3 Retired June 2021

Excepting special circumstances, each Director and A&SBM aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year, and each A&SBM aims to have at least 75% attendance at meetings of the A&SB in a single fiscal year.

Management That Supports Corporate Value Creation

Risks and Opportunities

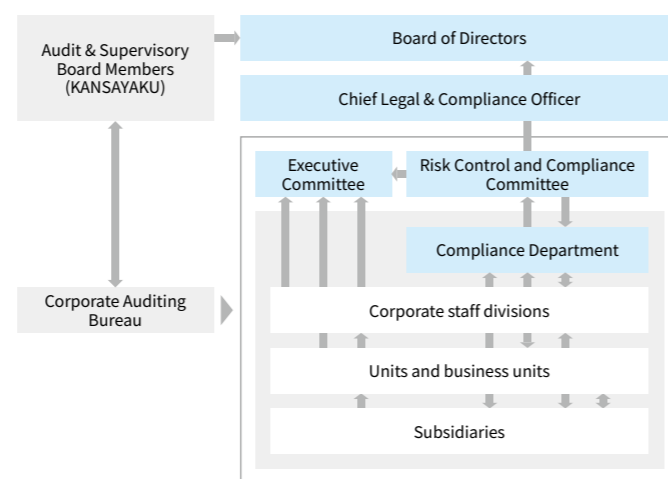
In addition to financial risks, NEC works to gain a proper understanding of non-financial (ESG) risks that, if realized, may cause NEC to negatively impact the environment or society. As well as implementing effective and efficient measures to mitigate these risks, NEC is taking steps to turn these risks into business opportunities. As part of this initiative, we intend to direct our efforts according to materiality, which is a set of priority management themes from an ESG perspective. These efforts will maximize the value provided while minimizing risk, which in turn will improve future financial performance and contribute to achieving the SDGs.

Risk Management Framework

NEC's Chief Legal and Compliance Officer (CLCO), a member of the Board of Directors, is responsible for overseeing Companywide risk management and serves as Chairperson of the Risk Control and Compliance Committee.

Every fiscal year, the committee, which comprises officers, selects Priority Risks as risks in particular need of countermeasures, and regularly receives reports from the divisions in charge of deliberations regarding specific measures and the progress of these measures, after which the committee undertakes efforts to improve or enhance these measures if necessary. The CLCO reports matters of particular importance to the Executive Committee and the Business Progress Committee and other entities, which are attended by the CEO.

To supervise business execution, the Board of Directors receives reports on matters that include material misconduct and measures taken for the Priority Risks. In addition, the Board of Directors regularly confirms the effectiveness of the Company's risk management and the operational status of the Company's internal control system.



Response to Priority Risks

In fiscal 2022, one important risk, "risk management system in response to changes in risks" was selected as a Priority Risk. To address this risk, the Company adjusted its comprehensive risk management system and compiled a list of risks that NEC should be aware of. The Company assessed these risks in terms of likelihood and their impact on NEC and prepared a risk map visualizing the priority of each risk.

Based on this risk map, "risks of human rights violations in the value chain" was selected as a Priority Risk to be addressed in fiscal 2023, which was then reported to the Board of Directors. As one effort to address this risk, the Company revised the NEC Group Human Rights Policy in June 2022.

For more details, please refer to the "Respecting Human Rights" section on page 60.

Major Risks & Opportunities and Related Initiatives

Major risks and opportunities that NEC recognizes and key initiatives aimed at addressing them are listed on the right. We will review these risks as necessary to facilitate a flexible response to sudden changes that may occur.

Financial

	Risks (●) and Opportunities (○)	Initiatives
Trends in Economic Environment and Financial Markets	<ul style="list-style-type: none"> ● Impacts from economic trends and market fluctuations ● Fluctuations in exchange rates and interest rates ● Adverse effects of infectious diseases, man-made disasters, and natural disasters ○ Greater expectations for ICT as a solution to social issues 	<ul style="list-style-type: none"> ▶ <i>The Securities Report for Fiscal 2022</i> (Japanese only), P.21 "Trends in Economic Environment and Financial Markets" ▶ P.54 Living Harmoniously with the Earth to Secure the Future P.78 At a Glance
The NEC Group's Management Policies	<ul style="list-style-type: none"> ● Financial instability and fluctuations in revenue ● Failure in company acquisitions and withdrawal from businesses, etc. ● Difficulty in maintaining relationships with strategic partners ● Inability to participate in certain markets and country-related risks ○ New growth from implementing the Mid-term Management Plan 2025 	<ul style="list-style-type: none"> ▶ <i>The Securities Report for Fiscal 2022</i> (Japanese only), P.23 "Risks Related to the NEC Group's Management Policies" ▶ P.20 Mid-term Management Plan 2025 P.36 CFO Message P.40 Innovation: R&D and Business Development P.46 NEC, for Those Who Seek Challenge P.54 Living Harmoniously with the Earth to Secure the Future
The NEC Group's Business Activities	<ul style="list-style-type: none"> ● Dependence on the NEC Group's primary customer base ● Difficulties with respect to new businesses, intensifying competition ○ Increase in business opportunities 	<ul style="list-style-type: none"> ▶ <i>The Securities Report for Fiscal 2022</i> (Japanese only), P.27 "Risks Related to the NEC Group's Business Activities" ▶ P.78 At a Glance

Non-financial

Materiality	Risks (●) and Opportunities (○)	Initiatives
Environmental Action with a Particular Focus on Climate Change	<ul style="list-style-type: none"> ● System failure from natural disasters ● Increased costs related to CO₂ emissions ○ Provision of ICT solutions 	<ul style="list-style-type: none"> Contribute to reducing CO₂ emissions, not only from NEC but also from customers' businesses and the entire supply chain Promote thorough energy conservation and increased use of renewable energy based on the NEC Eco Action Plan 2025, to achieve SBT 1.5°C ▶ <i>The Securities Report for Fiscal 2022</i> (Japanese only), P.18 "Response to Climate Change" ▶ P.54 Living Harmoniously with the Earth to Secure the Future ▶ P.40 Climate Change
Security to Maximize ICT Possibilities	<ul style="list-style-type: none"> ● Information leaks, unauthorized access, system failure ○ Development of security professionals ○ Provision and operation of robust information systems 	<ul style="list-style-type: none"> Promote information security measures in a sound manner Provide products and services that incorporate security measures Develop information security professionals ▶ P.40 Innovation: R&D and Business Development ▶ P.69 Information Security and Cyber Security
AI and Human Rights	<ul style="list-style-type: none"> ● Invasion of privacy-related risks accompanying new technologies ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ○ Strengthening competitiveness 	<ul style="list-style-type: none"> Promote appropriate utilization of AI, develop advanced technology and talent, and engage with a range of stakeholders to build partnerships and collaborate with closely in accordance with the NEC Group AI and Human Rights Principles Revise and disseminate the NEC Group Human Rights Policy ▶ P.40 Innovation: R&D and Business Development P.60 Respecting Human Rights ▶ P.17 Topic: Respecting Human Rights, P.64 AI and Human Rights P.66 Personal Information Protection and Privacy P.77 Innovation Management
Diverse Human Resource Development and Cultural Transformation	<ul style="list-style-type: none"> ● Harassment ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ● Difficulty in securing and developing human resources ○ Greater organizational strength through improved employee engagement 	<ul style="list-style-type: none"> Bolster diversity as a source of innovation, and implement workstyle reforms supporting diverse talent ▶ P.46 NEC, for Those Who Seek Challenge ▶ P.53 Inclusion and Diversity P.56 Human Resource Development and Training P.59 Creating a Diverse Workstyle Environment
Corporate Governance	<ul style="list-style-type: none"> ● Inadequate accounting processes ● Mismanagement of confidential information ● Inadequate Group governance ● Risk management systems in response to changes in risks (designated as a Priority Risk in fiscal 2022) ○ Acquisition of trust from society 	<ul style="list-style-type: none"> Increase the transparency of corporate governance further ▶ P.6 Message from the President P.20 Mid-term Management Plan 2025 P.36 CFO Message P.66 Corporate Governance ▶ P.80 Corporate Governance
Supply Chain Sustainability	<ul style="list-style-type: none"> ● Environmental and human rights risks ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ○ Collaboration and co-creation with suppliers 	<ul style="list-style-type: none"> Promote activities to ensure that all suppliers are aware of the Guidelines for Responsible Business Conduct in Supply Chains and agree to uphold its contents ▶ P.62 Supply Chain Sustainability ▶ P.88 Supply Chain Management
Compliance	<ul style="list-style-type: none"> ● Compliance breaches (illegal acts, fraudulent acts) ● Reputation risks ● Poor quality of products and services, defects ● Risks in obeying the law regarding new technologies and new fields (designated as a Priority Risk in fiscal 2022) ○ Acquisition of trust from society 	<ul style="list-style-type: none"> Ensure all NEC Group members, from officers to employees, conduct themselves in accordance with the NEC Group Code of Conduct every day ▶ P.72 Risks and Opportunities ▶ P.17 Topic: Respecting Human Rights, P.64 AI and Human Rights P.66 Personal Information Protection and Privacy P.71 Ensuring Quality and Safety, P.80 Corporate Governance P.81 Compliance and Risk Management, P.88 Supply Chain Management

Note: The SDGs that are particularly impacted are listed.

Management That Supports Corporate Value Creation

Directors and Audit & Supervisory Board Members

(As of July 1, 2022)

Directors



Takashi Niino
Chairman of the Board

After being engaged in the management of the financial solutions business and the NEC Group's management strategies, Mr. Niino was appointed as President (Representative Director) in 2016 and as Vice Chairman of the Board (Representative Director) in April 2021, where he continues to be engaged in the management of NEC. Since June 2022, he has served as Chairman of the Board (Non-executive Director).



Takayuki Morita
President and CEO (Chief Executive Officer)
(Representative Director)

After being engaged in the management of the NEC Group's global business, accounting and financial strategies, management strategies and M&As as Senior Executive Vice President and CFO (Representative Director), Mr. Morita was appointed as President and CEO (Representative Director) in April 2021.



Hajime Matsukura
Executive Vice President, CHRO (Chief Human Resources Officer), CLCO (Chief Legal and Compliance Officer) and Member of the Board

After being engaged in the management of corporate strategies at the Company's corporate departments and in the NEC Group's operational reforms, Mr. Matsukura is now in charge of the NEC Group's culture transformation, human resources strategies, and legal and compliance strategies as Executive Vice President, CHRO, CLCO and Member of the Board.



Motoo Nishihara
Executive Vice President,
CTO (Chief Technology Officer) and
Member of the Board

After being in charge of R&D as a corporate officer, Mr. Nishihara is now responsible for the NEC Group's R&D, business development, and technology strategies in his role as Executive Vice President and CTO.



Osamu Fujikawa
Executive Vice President,
CFO (Chief Financial Officer) and
Member of the Board (Representative Director)

After being engaged in the financial solutions business and new business strategies, Mr. Fujikawa was in charge of new business development strategies as Senior Vice President. Currently, Mr. Fujikawa is in charge of the NEC Group's accounting, financial strategy, management strategy, and M&As as Executive Vice President and CFO.



Noriko Iki
Member of the Board
President, Japan Institute for Women's
Empowerment & Diversity Management

Ms. Iki has abundant experience and deep insight in the fields of administration and diplomacy.
(Appointed in June 2018)



Masatoshi Ito
Member of the Board
Senior Corporate Advisor, Ajinomoto Co., Inc.

Mr. Ito has extensive experience as the manager of a manufacturing business and deep insight into marketing and corporate strategy.
(Appointed in June 2019)



Kuniharu Nakamura
Member of the Board
Chairman of the Board of Directors,
SUMITOMO CORPORATION

Mr. Nakamura has extensive experience and deep insight, including in global business as the manager of a general trading company.
(Appointed in June 2019)



Christina Ahmadjian
Member of the Board
Specially Appointed Professor, College of Business
Department of Global Business, Rikkyo University

Ms. Ahmadjian has extensive experience and deep insight relating to global corporate strategies, corporate governance, and diversity.
(Appointed in June 2021)



Masashi Oka
Member of the Board
President & CEO, Representative Director,
Sony Financial Group Inc. and
President, Representative Director,
Sony Financial Ventures Inc. (to present)

Mr. Oka has directorial experience at banks and in the manufacturing industry and is currently in a management position in the finance industry, where he has extensive experience and deep insight.
(Appointed in June 2022)

Audit & Supervisory Board Members



Nobuhiro Odake
Audit & Supervisory Board Member (full-time)

After many years of handling NEC's supply chain strategy, Mr. Odake, as a Member of the Board of a Group company, has been supervising its business units, and he has a wealth of experience and an extensive track record related to the Group's business.



Shinobu Obata
Audit & Supervisory Board Member (full-time)

Mr. Obata has extensive experience and a proven record of performance, having been engaged in legal and compliance activities at the Company, and in legal and compliance strategies across the NEC Group as Senior Vice President and CLCO.



Nobuo Nakata
Audit & Supervisory Board Member
Attorney at Law

Mr. Nakata has extensive experience and deep insight as an attorney at law in the field of corporate law, including M&As.
(Appointed in June 2019)



Masami Nitta
Audit & Supervisory Board Member
Certified Public Accountant

Mr. Nitta has experience in corporate management and professional insight as a Certified Public Accountant.
(Appointed in June 2020)



Kyoko Okada
Audit & Supervisory Board Member

Ms. Okada has extensive experience and deep insight as an auditor and director at numerous companies.
(Appointed in June 2022)

NEC Corporation has notified the Tokyo Stock Exchange, on which the Company lists its shares, of Ms. Noriko Iki, Mr. Masatoshi Ito, Mr. Kuniharu Nakamura, Ms. Christina Ahmadjian, Mr. Masashi Oka, Mr. Nobuo Nakata, Mr. Masami Nitta, and Ms. Kyoko Okada as Independent Directors/Audit & Supervisory Board Members (KANSAYAKU).

For more details on the Directors and Audit & Supervisory Board Members (KANSAYAKU) of NEC Corporation, please visit the following URLs:
Directors
<https://www.nec.com/en/global/about/executives/directors.html>
Audit & Supervisory Board Members (KANSAYAKU)
<https://www.nec.com/en/global/about/executives/auditors.html>

Management That Supports Corporate Value Creation

Cross-company Corporate Strategy Promotion Framework

(As of July 1, 2022)

NEC Corporation has introduced a chief officer system and is working to solve challenges from a Companywide perspective. Since 2019, the term of office for corporate officers has been set at one year and we have been reforming our management system, seeking to establish mission clarity and greater responsibility for results. By having corporate officers work with a sense of urgency to complete their respective missions, we aim to increase NEC's execution capability.



Norihiko Ishiguro
Senior Executive Vice President



Akihiko Kumagai
Senior Executive Vice President
President of Global Business Unit



Kazuhiro Sakai
Senior Executive Vice President,
CDO (Chief Digital Officer)
Chief of ICT Business Transformation



Chikara Ishii
Executive Vice President
President of Digital Services and Engineering Unit
Chairman of the Board, ABeam Consulting Ltd.



Hajime Matsukura
Executive Vice President, Chief Human Resources
Officer (CHRO), and Chief Legal and Compliance
Officer (CLCO)



Atsuo Kawamura
Executive Vice President
President of Network Services Business Unit



Chikara Nakamata
Executive Vice President
Chief of Domestic Sales



Masakazu Yamashina
Executive Vice President
President of Public Infrastructure Business Unit



Hiroshi Kodama
Executive Vice President,
CIO (Chief Information Officer),
and CISO (Chief Information Security Officer)



Motoo Nishihara
Executive Vice President,
CTO (Chief Technology Officer)
President of Global Innovation Unit



Noritaka Taguma
Executive Vice President and
Chief Product Officer (CPO)
President, NEC Platforms, Ltd.



Fumiaki Matsubara
Executive Vice President
President of Enterprise Business Unit



Osamu Fujikawa
Executive Vice President and
CFO (Chief Financial Officer)



Toshifumi Yoshizaki
Executive Vice President
President of Digital Business Platform Unit



Kazunori Sudo
Executive Vice President
President of System Platform Business Unit



Kunikazu Amemiya
Executive Vice President
President of Public Solutions Business Unit



Yutaka Ukegawa
Senior Vice President
President of Cross-Industry Unit



Shigeki Shimizu
Senior Vice President and
CSCO (Chief Supply Chain Officer)

Corporate Data

At a Glance

NEC Corporation and Consolidated Subsidiaries
Revenue, adjusted operating profit, adjusted net profit, free cash flows, and composition of revenue are financial results for the fiscal year ended March 31, 2022 (IFRS).

Note: NEC revised its operating segments in the first quarter of fiscal 2023. Figures for revenue, adjusted operating profit, and composition of revenue for the fiscal year ended March 31, 2022 are restated to conform with the new segments, which have not been audited by the accounting auditors.

Revenue

3,014.1 billion yen

Adjusted net profit

167.2 billion yen

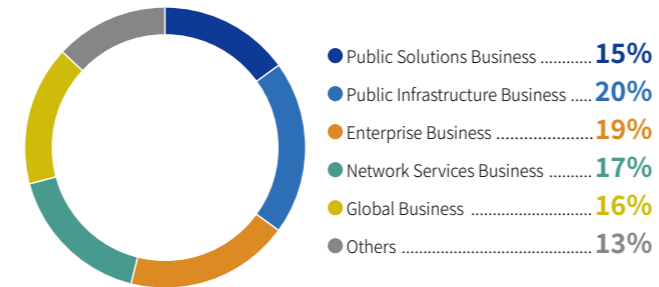
Adjusted operating profit

171.0 billion yen

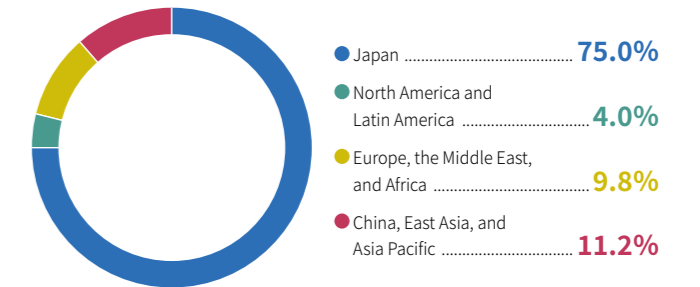
Free cash flows

84.1 billion yen

Composition of Revenue



Revenue by Region



Public Solutions Business

Revenue

442.6 billion yen

Adjusted operating profit

35.9 billion yen

Major Products and Services

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

Major Customers and Main Solutions

Public:
Firefighting Command, Firefighting Emergency Radio Systems, Disaster Prevention, Traffic Control, Railroad Communication, Local Government, Energy Management Systems

Healthcare:
Electronic Medical Records, Regional Healthcare Information Network

Media:
TV Program Production/News Production/Transmission, Digital TV Transmitters

Regional Industries:
Backbone Service

Major Consolidated Subsidiaries

NEC Nexsolutions, Ltd.

Public Infrastructure Business

Revenue

608.4 billion yen

Adjusted operating profit

59.2 billion yen

Major Products and Services

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

Major Customers and Main Solutions

Government:
Social Security and Tax, Fingerprint Identification, Air Traffic Control, Satellite Communications/Earth Observation, Outdoor Communication, School/Education, Postal Tracking

Major Consolidated Subsidiaries

NEC Network and Sensor Systems, Ltd.
NEC Space Technologies, Ltd.
Japan Aviation Electronics Industry, Limited

Enterprise Business

Revenue

574.7 billion yen

Adjusted operating profit

57.5 billion yen

Major Products and Services

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

Major Customers and Main Solutions

Manufacturing:
Global SCM, Product Life Cycle Management, Production Management, Sales Management

Retail and Services:
Retail Systems for Stores and Head Offices, Logistics Management

Finance:
Banking, Business Branch Systems, Insurance and Securities Infrastructure, Insurance and Securities Channel

Major Consolidated Subsidiaries

NEC Facilities, Ltd.

Network Services Business

Revenue

511.5 billion yen

Adjusted operating profit

35.5 billion yen

Major Products and Services

- Network Infrastructure: Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Routers/Switches
- Systems Integration: (Systems Implementation, Consulting)
- Services & Management: OSS^{*1}/BSS^{*2} Services/Solutions

^{*1} OSS: Operation Support System
^{*2} BSS: Business Support System

Major Consolidated Subsidiaries

NEC Networks & System Integration Corporation

Global Business

Revenue

485.6 billion yen

Adjusted operating profit

26.3 billion yen

Major Products and Services

- Digital Government, Digital Finance
- Software Services for Service Providers (OSS/BSS)
- Network Infrastructure: Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Wireless Backhaul

Major Consolidated Subsidiaries

OCC Corporation
Netcracker Technology Corporation
NEC Software Solutions UK Limited
KMD Holding A/S
Avaloq Group AG

Others

Revenue

391.2 billion yen

Adjusted operating profit

13.3 billion yen

Major Products and Services

- Business Consulting
- Development, Manufacture, and Sales of System Equipment

Major Consolidated Subsidiaries

ABeam Consulting Ltd.
NEC Platforms, Ltd.
NEC Fielding, Ltd.

Corporate Data

Financial and Non-financial Highlights

	JGAAP					IFRS						(Billions of yen)
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
Revenue	¥3,036.8	¥3,071.6	¥3,043.1	¥2,935.5	¥2,824.8	¥2,665.0	¥2,844.4	¥2,913.4	¥3,095.2	¥2,994.0	¥3,014.1	
International revenue	481.5	483.1	569.2	586.8	603.1	571.0	740.2	689.1	752.0	703.2	754.5	
International revenue ratio (%)	15.9	15.7	18.7	20.0	21.4	21.4	26.0	23.7	24.3	23.5	25.0	
Operating profit	73.7	114.6	106.2	128.1	91.4	41.8	63.9	57.8	127.6	153.8	132.5	
Adjusted operating profit	—	—	—	—	—	—	72.5	69.9	145.8	178.2	171.0	
Adjusted operating profit ratio (%)	—	—	—	—	—	—	2.5	2.4	4.7	6.0	5.7	
Net profit (loss) attributable to owners of the parent	(110.3)	30.4	33.7	57.3	75.9	27.3	45.9	39.7	100.0	149.6	141.3	
Adjusted net profit	—	—	—	—	—	—	50.4	47.0	111.2	165.4	167.2	
Cash flows from operating activities	83.9	143.7	94.1	87.9	97.8	92.5	130.0	64.2	261.9	274.9	147.5	
Cash flows from investing activities	(49.7)	(101.7)	(38.9)	(47.5)	(32.2)	6.4	(14.2)	(76.7)	(84.0)	(122.5)	(63.4)	
Free cash flows	34.2	42.0	55.2	40.4	65.6	99.0	115.8	(12.4)	177.8	152.4	84.1	
R&D expenses	162.0	151.7	142.7	134.2	123.6	109.3	108.1	108.1	109.8	114.6	126.3	
Number of patents	Approx. 64,000	Approx. 65,000	Approx. 68,000	Approx. 65,000	Approx. 53,000	Approx. 53,000	Approx. 51,000	Approx. 49,000	Approx. 47,000	Approx. 46,000	Approx. 45,000	
Capital expenditures (property, plant and equipment)	42.0	45.6	98.7	37.4	36.3	31.5	45.4	62.7	67.4	57.6	59.3	
Depreciation (property, plant and equipment)	53.3	51.2	45.2	48.5	50.5	49.9	63.8	64.4	123.4	122.8	124.6	
Per share data (in yen):												
Net profit (loss) attributable to owners of the parent* ¹	(42.44)	11.71	12.99	22.05	29.22	10.51	176.54* ²	152.75* ²	385.02* ²	557.18* ²	518.54*²	
Cash dividends	0.00	4.00	4.00	4.00	6.00	6.00	60* ²	40* ²	70* ²	90* ²	100*²	
Dividend payout ratio	—	34.2	30.8	18.1	20.5	57.1	34.0	25.8	18.2	16.2	19.3	
Total assets	2,557.6	2,581.0	2,505.3	2,620.7	2,528.9	2,684.0	2,821.4	2,963.2	3,123.3	3,668.6	3,761.7	
Owners' equity* ³	657.0	710.7	695.9	823.7	769.8	854.3	880.8	858.9	910.7	1,308.2	1,513.5	
Return on equity (%)	(15.6)	4.5	4.8	7.5	9.5	3.4	5.3	4.6	11.3	13.5	10.0	
Owners' equity ratio (%)	25.7	27.5	27.8	31.4	30.4	31.8	31.2	29.0	29.2	35.7	40.2	
Interest-bearing debt	6,927	6,035	5,752	5,208	4,795	4,669	5,207	5,525	6,754	7,029	5,974	
Debt-equity ratio (times)* ⁴	1.05	0.85	0.83	0.63	0.62	0.55	0.59	0.64	0.74	0.54	0.39	
Number of employees	109,102	102,375	100,914	98,882	98,726	107,729	109,390	110,595	112,638	114,714	117,418	
Ratio of female to all managers (%)	—	—	—	—	—	—	—	7.8	7.8	9.2	9.6	
Ratio of female to all managers (non-consolidated, %)* ⁵	4.9	4.9	5.1	5.2	5.4	5.5	5.8	5.9	6.4	7.2	8.1	
Employee engagement index (%)	—	—	—	—	—	—	—	14	20	25	35	
Improvement in energy efficiency of products (%) (Reduction of total CO ₂ emissions when products are used (compared with FY2014))	—	—	—	—	—	17	35	74	71	65	61	
Greenhouse gas emissions (Scope 1 + Scope 2) (thousand tons)	—	—	—	—	—	350	338	329	373	327	324	
Greenhouse gas emissions (Scope 3* ⁶) (thousand tons)	—	—	—	—	—	7,410	7,606	7,585	6,996	6,158	6,535	

*1 Net profit (loss) attributable to owners of the parent per share is calculated based on the weighted-average number of shares outstanding during each period.

*2 The amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.

*3 Owners' equity = Equity attributable to owners of the parent

*4 The debt-equity ratio is calculated by dividing interest-bearing debt by owners' equity.

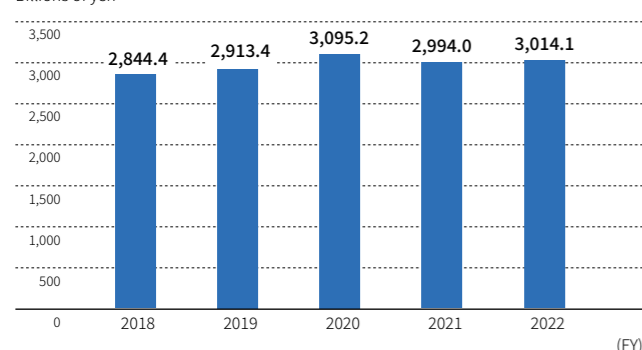
*5 As of April 1, the day following each fiscal year-end

*6 Scope 3 emissions from fiscal 2018 to fiscal 2020 have been adjusted to reflect a revision of the coefficient for Scope 3 Category 1 emissions. For this reason, the total differs from the sum of each scope.

Note: For more detailed non-financial data, please visit the following URL:
<https://www.nec.com/en/global/csr/data/index.html>

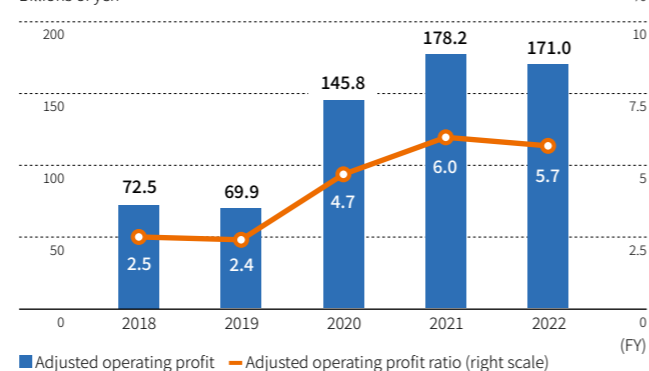
Revenue

Billions of yen



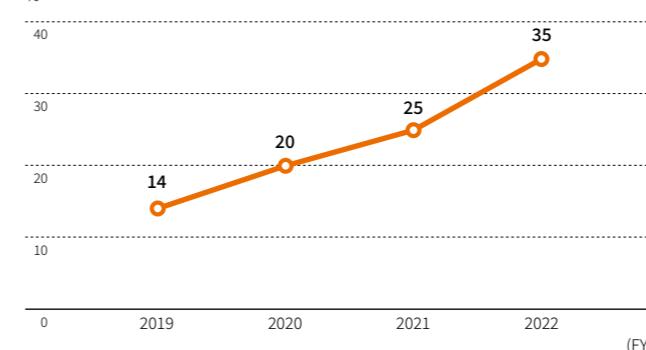
Adjusted Operating Profit / Adjusted Operating Profit Ratio

Billions of yen



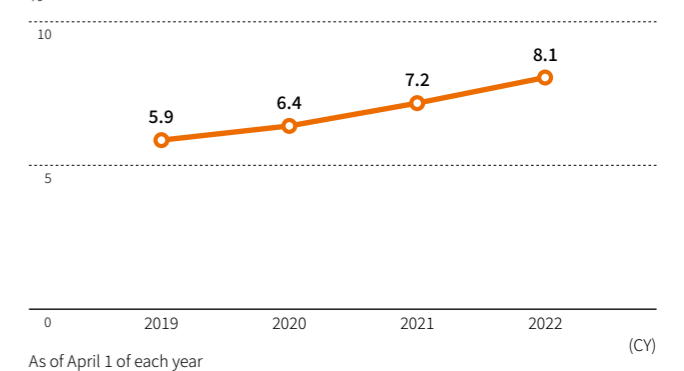
Employee Engagement Index

%



Ratio of Female to All Managers (Non-consolidated)

%



As of April 1 of each year

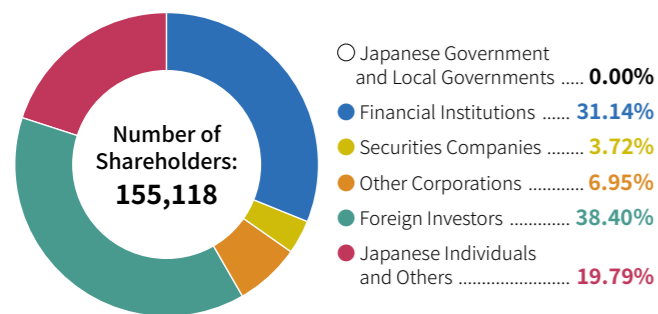
Corporate Data

Corporate Overview

Company Name	NEC Corporation
Address	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established	July 17, 1899
Number of Employees (As of March 31, 2022)	117,418 (NEC Corporation and consolidated subsidiaries)
Total Number of Shares Issued (As of March 31, 2022)	272,849,863 shares
Stock Exchange Listing	Tokyo (Securities Code: 6701)
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Classification of Shareholders (Shareholding Ratio)

(As of March 31, 2022)



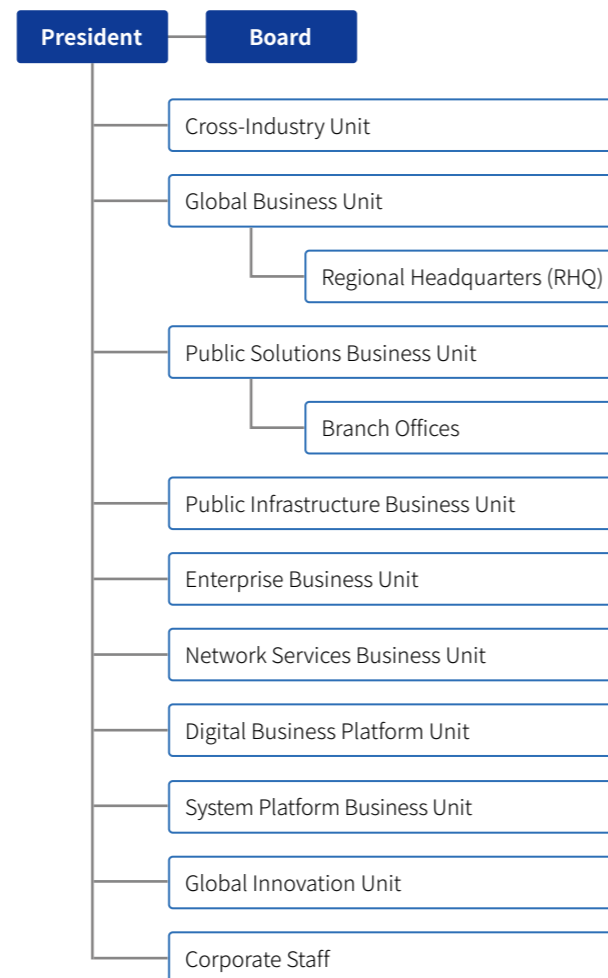
Major Shareholders (Top 10)

(As of March 31, 2022)

Name of Shareholders	Number of Shares Held (Thousands of shares)	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 WEST CLIENT – TREATY 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 shares of treasury stock (16,428 shares).

Organization Chart



Sustainability

<https://www.nec.com/en/global/csr/>

The above link offers further details of NEC's approach to management for sustainability based on ESG, *Sustainability Report 2022*, and related information.

Department in Charge:
Sustainability Promotion Department

Evaluation by External Parties (As of August 2022)

<p>Dow Jones Sustainability Indices (DJSI)</p> <p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p>	<p>FTSE4Good Index Series</p> <p>FTSE4Good</p>	<p>MSCI ESG Leaders Indexes</p> <p>2022 MSCI ESG Leaders Indexes Constituent</p> <p>THE INCLUSION OF NEC Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEC Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</p>
<p>Euronext Vigeo World 120</p> <p>EURONEXT vigeo WORLD 120</p>	<p>STOXX Global ESG Leaders Index</p> <p>Member 2021/2022 ESG Leaders Indexes</p>	<p>ISS ESG Corporate Rating</p> <p>Corporate ESG Performance ISS ESG Prime</p>
<p>CDP (Climate Change, Water Security, and Supplier Engagement)</p> <p>CDP A LIST 2021 CDP SUPPLIER ENGAGEMENT LEADER 2021</p>	<p>EcoVadis</p> <p>PLATINUM 2022 ecovadis Sustainability</p>	
<p>Investor Relations</p> <p>https://www.nec.com/en/global/ir</p> <p>Posted on the NEC Investor Relations (IR) website are IR presentation materials and other documents, NEC's financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance its disclosure on this website.</p> <p>Department in Charge: Investor Relations Office, Stakeholder Relations Department</p>	<p>Daiwa Investor Relations Internet IR Grand Prize 2021</p> <p>Internet IR Grand Prize 2021 Daiwa Investor Relations</p>	<p>Gomez IR Site Ranking Gold Award 2021</p>
		<p>Nikko Investor Relations 2021 Overall Ranking of Corporate Websites for Listed Japanese Companies AAA</p>

Cautionary Statement with Respect to Forward-looking Statements

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

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- the recent outbreak of the novel coronavirus;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

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

Note: In this integrated report, the accounting periods of the fiscal years ended March 31, 2021 and March 31, 2022 are referred to as fiscal 2021 and fiscal 2022, respectively. Any other fiscal years mentioned are referred to similarly.

Trademarks

- NEC is a registered trademark of NEC Corporation in Japan and other countries.
- All other names may be trademarks of their respective owners.

NEC Corporation

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