

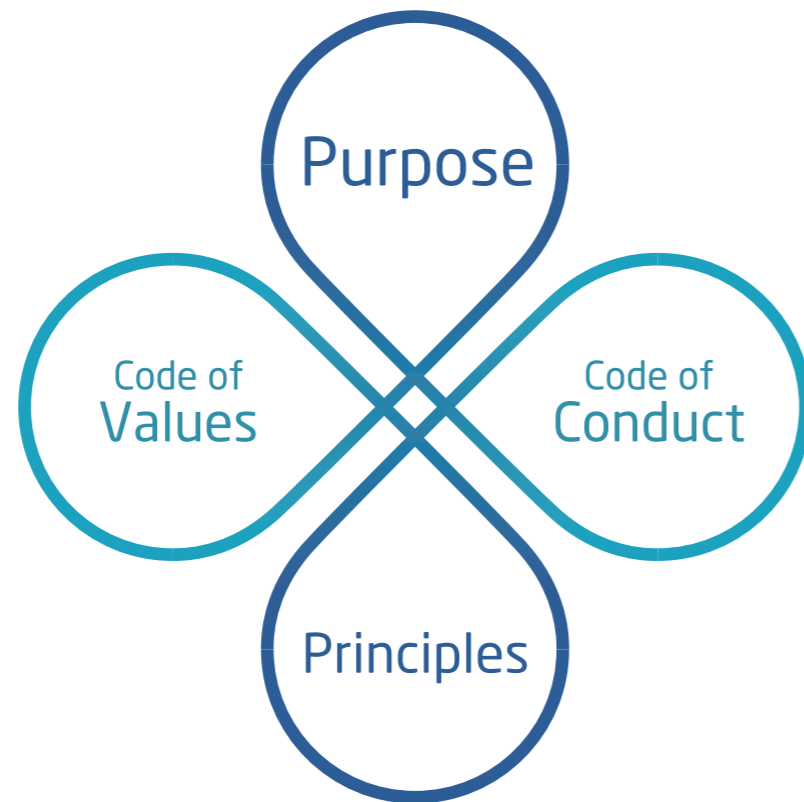
\Orchestrating a brighter world

NEC



Integrated Report 2020

NEC Way



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

Within the NEC Way, the “Purpose” and “Principles” represents why and how as a company we conduct business, whilst the “Code of Values” and “Code of Conduct” embodies the values and behaviors that all members of the NEC Group must demonstrate.

Putting the NEC Way into practice we will create social value.



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.



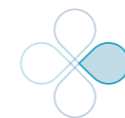
Principles

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



Code of Values

Look Outward. See the Future.
Think Simply. Display Clear Strategy.
Be Passionate. Follow through to the End.
Move Fast. Never Miss an Opportunity.
Encourage Openness. Stimulate the Growth of All.



Code of Conduct

1. Basic Position
 2. Respect for Human Rights
 3. Environmental Preservation
 4. Business Activities with Integrity
 5. Management of the Company’s Assets and Information
- Consultation and Report on Doubts and Concerns about Compliance

Contents

Business Strategy and Vision

- 03 What’s NEC
- 05 NEC’s Value Creation Journey
- 07 Message from the President
- 15 Value Creation Process
- 17 Feature: DX Initiatives in Response to the New Normal
- 21 Respecting Human Rights
- 23 Sustainably and Socially Literate Human Resources
- 27 Environmental Action with a Particular Focus on Climate Change
- 31 Innovation Management

Business Activities

- 33 Message from the CFO
- 37 Performance Highlights
- 39 At a Glance
- 41 Review of Operations
 - 41 Public Solutions Business
 - 43 Public Infrastructure Business
 - 45 Enterprise Business
 - 47 Network Services Business
 - 49 Global Business

Management Foundation

- 51 Corporate Governance
- 57 Uncompromising Integrity and Respect for Human Rights
- 58 Messages from an Outside Director and an Outside Audit & Supervisory Board Member
- 59 Directors and Audit & Supervisory Board Members
- 61 Cross-Company Corporate Strategy Promotion Framework

Corporate Data

- 63 Financial Section
- 66 Non-Financial Section
- 67 Corporate Overview

Editorial Policy

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

Integrated Report 2020 comprises four chapters, respectively titled Business Strategy and Vision, Business Activities, Management Foundation, and Corporate Data.

Business Strategy and Vision describes the progress of the Mid-term Management Plan 2020 and our initiatives to create value based on the NEC Way, such as implementation of our priority themes from an Environmental, Social and Governance (ESG) perspective, or “materiality.” Business Activities includes a message from the CFO and introduces the management strategies for each of our segments. Management Foundation introduces the Company’s initiatives in support of sustainable management.

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

Reporting Period

April 1, 2019 to March 31, 2020 (hereinafter referred to as “Fiscal 2020.” Any 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 Integrated Reporting Council’s “International Integrated Reporting Framework”
- Japan’s Ministry of Economy, Trade and Industry’s “Guidance for Collaborative Value Creation”



NEC is a signatory to the United Nations Global Compact.

Other Related Information

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



What's NEC

Establishment



Number of employees*3



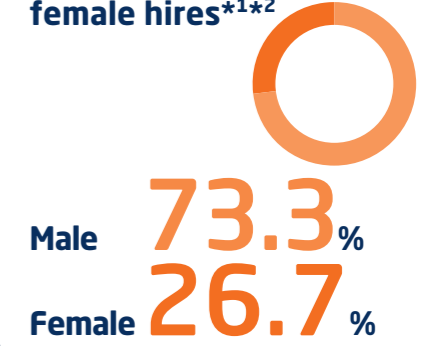
R&D expenses*2



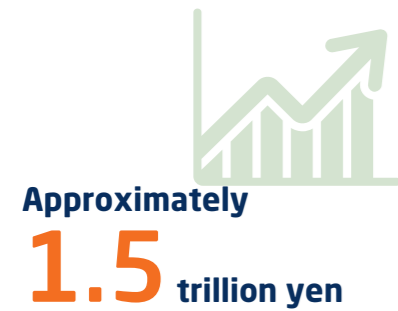
Number of cases of serious involvement with cartels and/or bid-rigging



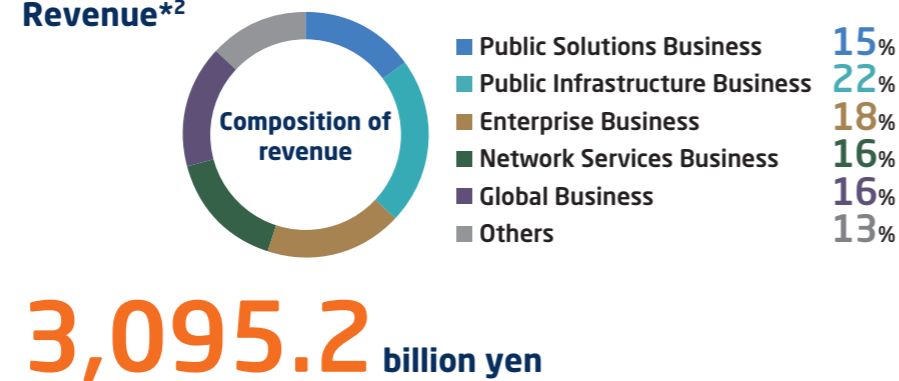
Ratio of male and female hires*1*2



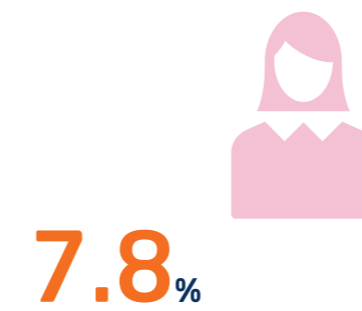
Market capitalization



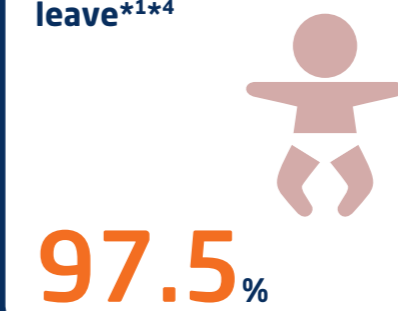
Revenue*2



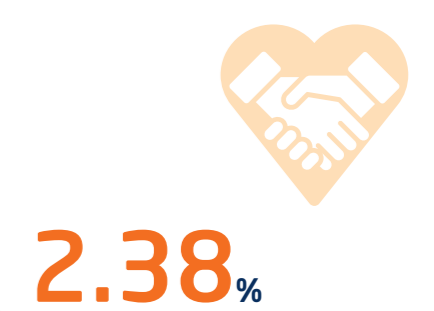
Ratio of female managers*3



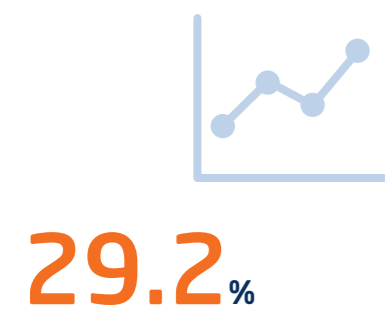
Ratio of employees returning after childcare leave*1*4



Ratio of employees with disabilities*1*5



Owner's equity ratio*3



Inclusion in the CDP Climate Change and Water A List



Rate of contribution to CO₂ emission reductions across the whole supply chain*2



Number of patents*3



Technological capabilities



*1 For NEC Corporation on a standalone basis

*2 Actual results for the fiscal year ended March 31, 2020

*3 As of March 31, 2020

*4 Ratio of employees returning to work who started childcare leave in fiscal 2018

*5 Based on the Act on Employment Promotion etc. of Persons with Disabilities as of June 1, 2020

*6 Ranked 1st five times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)

*7 Ranked 1st eight times in benchmark testing sponsored by NIST

*8 Ranked 1st in benchmark testing sponsored by NIST

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 Service," NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunication equipment and computers.

1899

Establishment of Nippon Electric Company

The Founding Spirit of "Better Products, Better Services"

Create customer satisfaction and pleasure by consistently providing better products and services.



Founder: Kunihiro Iwadore

1977

C&C Announced

The integration of computers and communications

The aspiration of enabling people throughout the world to connect anytime, anywhere, and with anyone, is aligned with the SDGs aspiration to "leave no one behind."



Announcement of C&C at INTELCOM '77

2013

Transformation into a Social Value Innovator

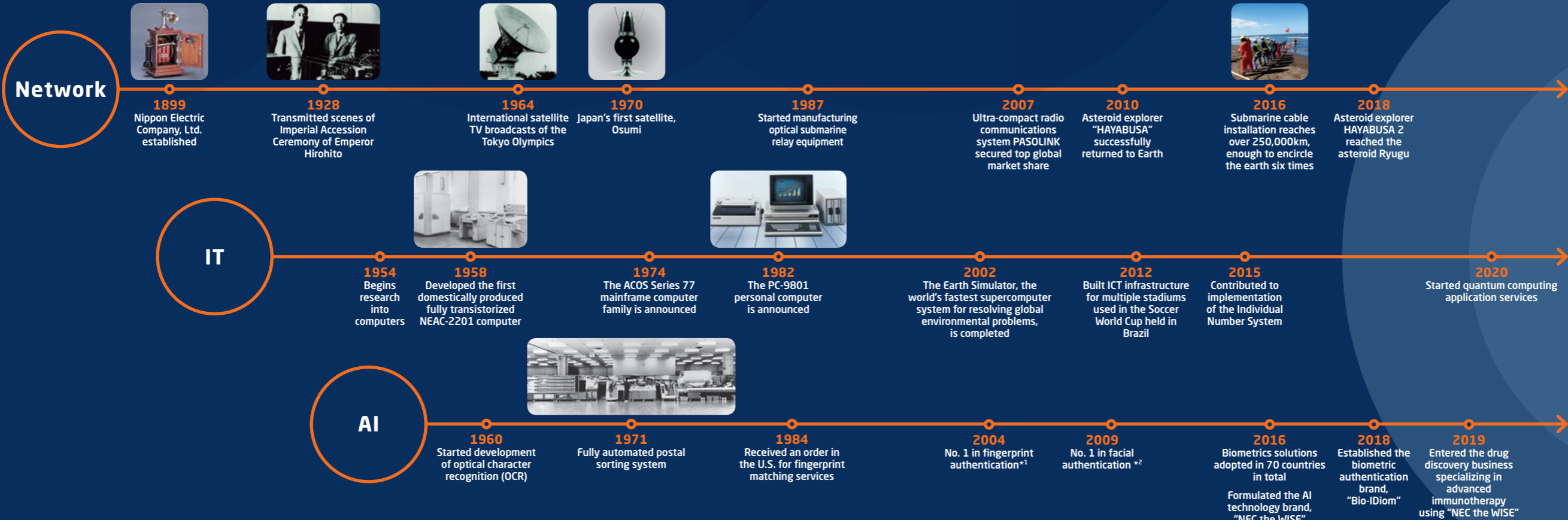
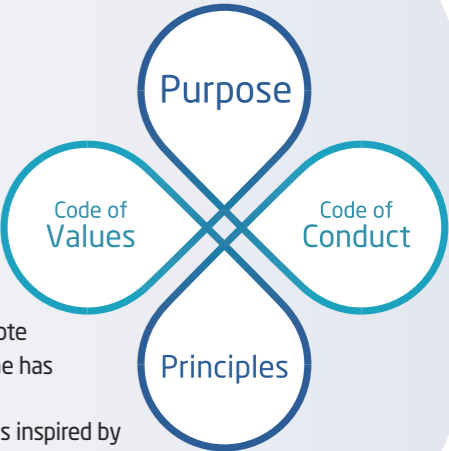
Orchestrating a brighter world

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

2020

NEC Way

To mark the 120th anniversary of its founding, in 2020 we defined our "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." NEC will redouble its business activities inspired by social issues, aiming to contribute to the achievement of the Sustainable Development Goals (SDGs) in 2030.



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

Message from the President

Today, people around the world are facing a time of great change. As the old era gives way to the new, NEC is transforming for the future in order to lead society into a new age.



Takashi Niino
President and CEO

September 2020

- September 1954 Born in Fukuoka Prefecture, Japan
- March 1977 Graduated from the Faculty of Engineering of Kyoto University
- April 1977 Joined NEC Corporation
- April 2008 Senior Vice President
- April 2010 Executive Vice President
- June 2011 Executive Vice President and Member of the Board
- April 2012 Senior Executive Vice President and Member of the Board
- April 2016 President and CEO (Representative Director) (to present)

Let me begin by expressing my condolences to those who have lost loved ones to the COVID-19 pandemic, and my wishes for a speedy recovery to those who are currently affected by the virus. I would also like to express my heartfelt gratitude and respect to all those working at medical institutions and other medical professionals around the world who are placing themselves at risk on the front lines to provide medical care. I pray for a speedy end to the pandemic.

The COVID-19 pandemic has significantly altered our perceptions of how society and our lives should be, including lifestyles and our government and economic systems. Right now,

almost everyone around the world is having to deal with this great trial, and through this shared experience we have come to see the pandemic as the problem of our age. This is the first such significant event in the recent years of globalization. I have a strong sense that NEC's true value as a Social Value Innovator is being tested as we struggle to face up to these tremendous challenges, to overcome them, and to realize an even more sustainable society. In order to further hone the strengths that it has built up over the past 120 years, NEC will strive to achieve even greater change and evolution.

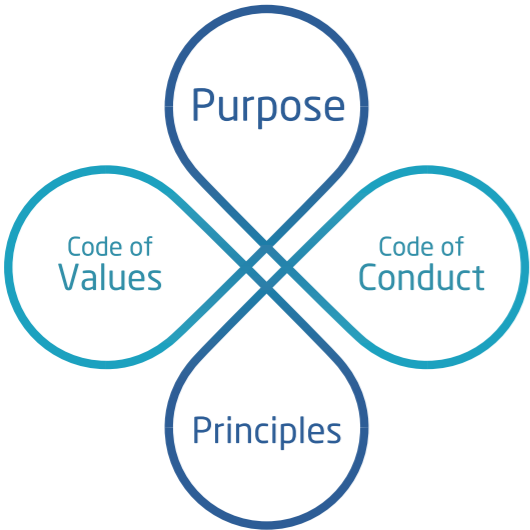
NEC as a Social Value Innovator, Past and Present

Looking back on the Company's journey to date, NEC has demonstrated its own unique approach in each era, from the founding spirit of "Better Products, Better Service," to "C&C (the integration of computer and communications)" in 1977, followed by "Orchestrating a brighter world" in 2013. The common thread running through all these concepts is NEC's constant commitment to providing better value to society. However, while NEC's growth over the first 100 years of its history was driven by its ability to lead social change from the forefront, for the past 20 years NEC itself has been under pressure to change amid intensifying competition. This era has been one of great upheaval, and one that has challenged NEC's existence.

Even as society continues to change day by day, moment by moment, we marked the 120th anniversary of our founding in April 2020 by redefining the NEC Way, which sets out NEC's reason for existence. The NEC Way articulates NEC's "Purpose" and "Principles" as a company as well as the expected behaviors, the Code of Values and Code of Conduct that all of the members comprising the NEC Group are expected to demonstrate.

In redefining the NEC Way, our emphasis was on clearly stating the purpose of the NEC Group's existence. As such, we distilled the essential concepts for us as a company into two themes, our Purpose and our Principles.

NEC Way



* Please see the following URL for details.
<https://www.nec.com/en/global/about/the-nec-way.html>

The core tenets of our Purpose are “safety, security, fairness and efficiency,” and “promoting a more sustainable world where everyone has the chance to reach their full potential.” NEC’s Purpose is to solve the kind of global social issues represented by the United Nations Sustainable Development Goals (SDGs), and to provide people not only with safety and security, but also fairness and efficiency. In any era or situation, the NEC Group is committed to coexisting with the global environment, enabling people to fully express their latent potential, and creating a sustainable society premised on deep mutual understanding.

The NEC Way also sets out three Principles, which we should observe in our conduct as an organization: 1) “Better products, better services,” our founding spirit under which we will pursue 2) “uncompromising integrity (high ethical standards and honesty) and respect for human rights” as the foundation for building trust with society, and the pursuit of 3) “innovation” that goes beyond technological innovation through dialogue and co-creation (Orchestrating) with our stakeholders, in order to create value that solves social issues. In addition, in 2005 NEC became a signatory to the United Nations Global Compact (UNGC), a global initiative aimed at sustainable growth for society and companies. We now promote corporate activities based on the Compact’s 10 principles pertaining to the four fields of human rights, labor, the environment, and anti-corruption.

These are the considerations that have been incorporated into the redefined NEC Way, and we believe that we can contribute to the achievement of the SDGs by putting the NEC Way into practice.



* NEC Initiatives for Contributing to the Achievement of the SDGs
<https://www.nec.com/en/global/sdgs/>

Towards Achieving the Mid-term Management Plan 2020

The Mid-term Management Plan 2020 was formulated as the first step toward a dramatic transformation for the future. In the plan, we set out three themes: “Reform of profit structure,” “Achievement of growth,” and “Restructuring of execution capabilities,” and plotted a course to set the NEC Group on a

growth trajectory, envisaging fiscal 2019 as a year for “changing gears,” fiscal 2020, the fiscal year under review, as a year for “turning around,” and the final fiscal year, fiscal 2021, as the year for “taking the offensive.”

Mid-term Management Plan 2020 Targets and Results

(Billions of yen)	FY2018/3 Results	FY2019/3 Results	FY2020/3 Results	FY2021/3 Targets
Revenue	2,844.4	2,913.4	3,095.2	3,030.0
Operating profit (Operating profit ratio)	63.9 2.2%	57.8 2.0%	127.6 4.1%	150.0 5.0%
Adjusted operating profit (Adjusted operating profit ratio)	72.5 2.5%	69.9 2.4%	145.8 4.7%	165.0 5.4%
Net profit attributable to owners of the parent	45.9	39.7	100.0	90.0
Adjusted net profit	50.3	47.0	111.2	99.0
Free cash flows*	115.8	-12.4	177.8	150.0
Return on equity (ROE)	5.3%	4.6%	11.3%	9.5%

* Excluding M&A portion
Note: Forecasts and targets as of July 31, 2020

Reform of the Profit Structure

First, I will talk about our progress on “Reform of profit structure.”

In efforts to reduce our selling, general and administrative (SG&A) expenses, in fiscal 2019 we implemented a voluntary early retirement plan and reorganized production bases with a view to establishing a strong profit structure able to support continuous investment for transformation.

In reforming our profit structure, in fiscal 2019 we achieved profitability in the wireless backhaul business, which had been one of our challenges, while also completing the sale of the

electrode business during the same fiscal year. Furthermore, in the energy business, we have been aiming to engage in partnering that will lead to improved earnings. This was always going to require some time to achieve, but with the added impact of the COVID-19 pandemic we believe we cannot delay partnering any longer. We have now decided to stop receiving new orders at NEC Energy Solutions, and to continue only with executing our guarantee obligations, such as completion and maintenance of contracted projects.

SG&A reduction	Voluntary early retirement and production base reorganization	Completed in fiscal 2019
Business structure reforms	Wireless backhaul business	Achieved profitability in fiscal 2020
	Energy business	Decided to stop receiving new orders
	Electrode business	Completed sale in fiscal 2019

Achievement of Growth

With regard to “Achievement of growth,” in international business we have seen steady progress in the post-merger integration of acquired companies Northgate Public Services Limited (NPS) in the United Kingdom and KMD Holdings ApS (KMD) in Denmark. We will also work to generate greater value by initiating further M&As through NPS and KMD, in addition to the generation of synergies.

In Japan, we have been taking steps to realize commercial services using 5G. As a key strategy, we have been working to progress the 5G business through co-creation with other companies rather than doing everything ourselves. Examples include the capital and business alliance we concluded with NTT Corporation for joint research and development and the global rollout of ICT products utilizing innovative optical and wireless technologies, and the agreement we signed with Rakuten Mobile, Inc. to jointly develop the containerized standalone 5G core network.

Japan	Focus on NEC Safer Cities and NEC Value Chain Innovation	Offer solutions for solving social issues as services through partnering with customers
	5G	Co-creation with NTT Corporation and Rakuten Mobile, Inc.
International	NEC Safer Cities	Acquisition of NPS and KMD

Restructuring of Execution Capabilities

With regard to “Restructuring of execution capabilities,” we have adopted a two-pronged approach of reinforcing business development capabilities and transforming NEC’s culture.

In reinforcing business development capabilities, we will break away from the closed innovation mindset, which has been an issue for us, and create new value beyond existing frameworks in order to accelerate monetization of the latest technologies. In addition, we have decided to enter the drug development business. Together with our work using the latest technologies in the medical system business, we are driving value creation in the healthcare domain.

In our initiatives for transforming NEC’s culture, we are targeting the following measures under Mid-term Management Plan 2020 to enable employees to maximize their capabilities and realize an organization with the capacity to carry out actions to completion: “define management’s responsibilities and authority more clearly,” “encourage innovative actions and challenges,” and “accelerate diversification of the NEC Group.”

With regard to “define management’s responsibilities and authority more clearly,” we are revamping our evaluation system for executive officers and re-clarifying their responsibilities and authority, and we have moved to one-year terms of office to make executive officers more responsible for results. To promote “encourage innovative actions and challenges,” we have been introducing a new evaluation and compensation system that rewards those who take action, while actively hiring and appointing human resources with diverse skills to executive and other positions to accelerate diversification of the NEC Group.

Strengthening business development capabilities	Monetization of the latest technologies	Value creation beyond existing frameworks with customers
	Healthcare	Full-scale entry into drug development business
Restructuring to enable employees to maximize their capabilities (culture transformation)	Define management’s responsibilities and authority more clearly	Revamp executive officer system, one-year terms of office
	Encourage innovative actions and challenges	Introduce new evaluation system
	Accelerate diversification of the NEC Group	Hire and appoint diverse talent into executive and other positions

By fully committing to the three themes of Mid-term Management Plan 2020 in this way, we are working toward its successful conclusion. During the fourth quarter of fiscal 2020, we encountered disruptive changes in the business environment due to the COVID-19 pandemic, but we were able to limit the impact on our financial results. As a result, in our full-year financial results, all reportable segments achieved year-on-year

revenue growth, and we achieved record high profit for the first time since 1997, 23 years ago. I consider these results to be not only due to favorable market trends; they also reflect the alignment of NEC’s initiatives to date, including initiatives under Mid-term Management Plan 2020, with changes in the operating environment of our customers and their needs.

Creating Value Unique to NEC amid New Social Changes

In fiscal 2021, the final year of Mid-term Management Plan 2020, growing concerns of a potential slowdown in the overall economy due to the impact of the pandemic will be offset by new demand arising from the change to a “new normal” going forward. At NEC, we will consider the future together with society and our customers, and ensure continuity in the new environment by promoting digital transformation (DX). At the same time, I believe that we can realize a transformation for our customers that will enable them to continue creating value.

NEC will take steps to adapt to the new normal by adopting the dual perspectives of both people and society.

In changes involving people, the need for movement and personal interaction is being reconsidered with a view to preventing the spread of infection, and new approaches to various social activities, such as workstyles, are being introduced in a move to create new customs and living patterns that will provide a higher level of safety and security in the activities and lifestyles of people everywhere. Moreover, in changes in society,

we aim to create even safer, more efficient and fairer social services. There is a need to keep society moving even under difficult circumstances by realizing automation of work using artificial intelligence and realizing overall optimization. There is also a need to effect change in a way that considers not only economic efficiency, but also business continuity.

To respond to these changes in people and society, digital capabilities are going to be even more essential than before, and factors such as remote, online, non-contact, automation and labor-saving, and visualization and reliability will assume greater importance. In fact, dramatic changes have started taking place in the few months since the pandemic started, such as a surge in the introduction of remote working at companies all over the world and acceptance of remote healthcare. I believe that NEC is well placed to help society and its customers to realize DX by combining its strengths in networks, IT, AI, and security technologies to provide “Social and Lifestyle DX–NEC Safer Cities” and “Corporate and Industrial DX–NEC Value Chain Innovation.”

The networks that underpin the realization of DX – that is to say the infrastructure that supports the enormous flow of data traffic originating from people and things – will become extremely important. Increases in the capacity and sophistication of telecommunication infrastructure are expected, and calls for ensuring the safety and reliability of networks as mission-critical infrastructure have grown even louder. We are promoting development of the 5G next-generation communication standard that is driving these changes, and we have already started on development targeting the post-5G era.

To create new businesses with a medium- to long-term view, we have also made a full-scale entry into the drug discovery business focused on advanced immunotherapy using AI. However, with the recent COVID-19 pandemic, we have been applying the AI prediction technology that we use for development of individualized cancer vaccines to the task of genome analysis for the design of a vaccine for COVID-19, and have published analysis results. In contributing to society, our analysis of immunity data from individual optimization using AI will increase the range of treatment options, thereby offering hope, even for those affected by cancer or COVID-19.

While working to realize the DX of society and customers, NEC is also taking steps to create value through its own DX. To introduce two specific initiatives, the first is a trial of a multimodal biometric authentication system that integrates facial recognition technology with iris recognition technology at the gates of NEC’s head office building. The trial test, which includes the 110,000 employees of the NEC Group, confirmed that the system can accurately identify people even when they are wearing a mask or sunglasses. We aim to offer the system for use in various applications; for example in cases where both hands are being used to carry something, or in situations that require identification in a hygienic way that avoids the use of indirect contact via a panel or card.

The second initiative is the NEC Smart Store, which has opened in the NEC head office. This store uses biometric identification to identify a customer entering the store, then automatically tallies their purchases without using a cash register. By reducing the number of people in stores, it is possible not only to avoid crowding around the register, but also to reduce the burden of register duty and risk of infection to store staff.

In addition, we are promoting remote working as part of workstyle reforms aimed at increasing productivity. Under the state of emergency declared in Japan, around 60,000 NEC Group employees engaged in remote working. We will continue to promote new workstyles like this going forward, aiming to reduce the number of employees in the office to around 30% of previous levels. In these and other ways, NEC’s business activities are already changing.

 For details, please see Integrated Report 2020 page 17, “Feature: DX Initiatives in Response to the New Normal”
For information about inhouse initiatives, please see page 23, “Sustainably and Socially Literate Human Resources.”

While maintaining NEC’s distinctive characteristics, in fiscal 2021 we will continue working to create a new business foundation that promotes medium- to long-term value creation such as this. To make NEC an even stronger company, we must focus on the future and engage in businesses that are one step ahead. NEC has clear strengths accumulated over 120 years, with a foundation in networks and IT, and extending to AI and security technologies. We will strive to combine these strengths to create businesses that bear NEC’s distinctive qualities of maximizing economic and social value as a Social Value Innovator. This is the key to our growth going forward.

First Step to Becoming a New NEC

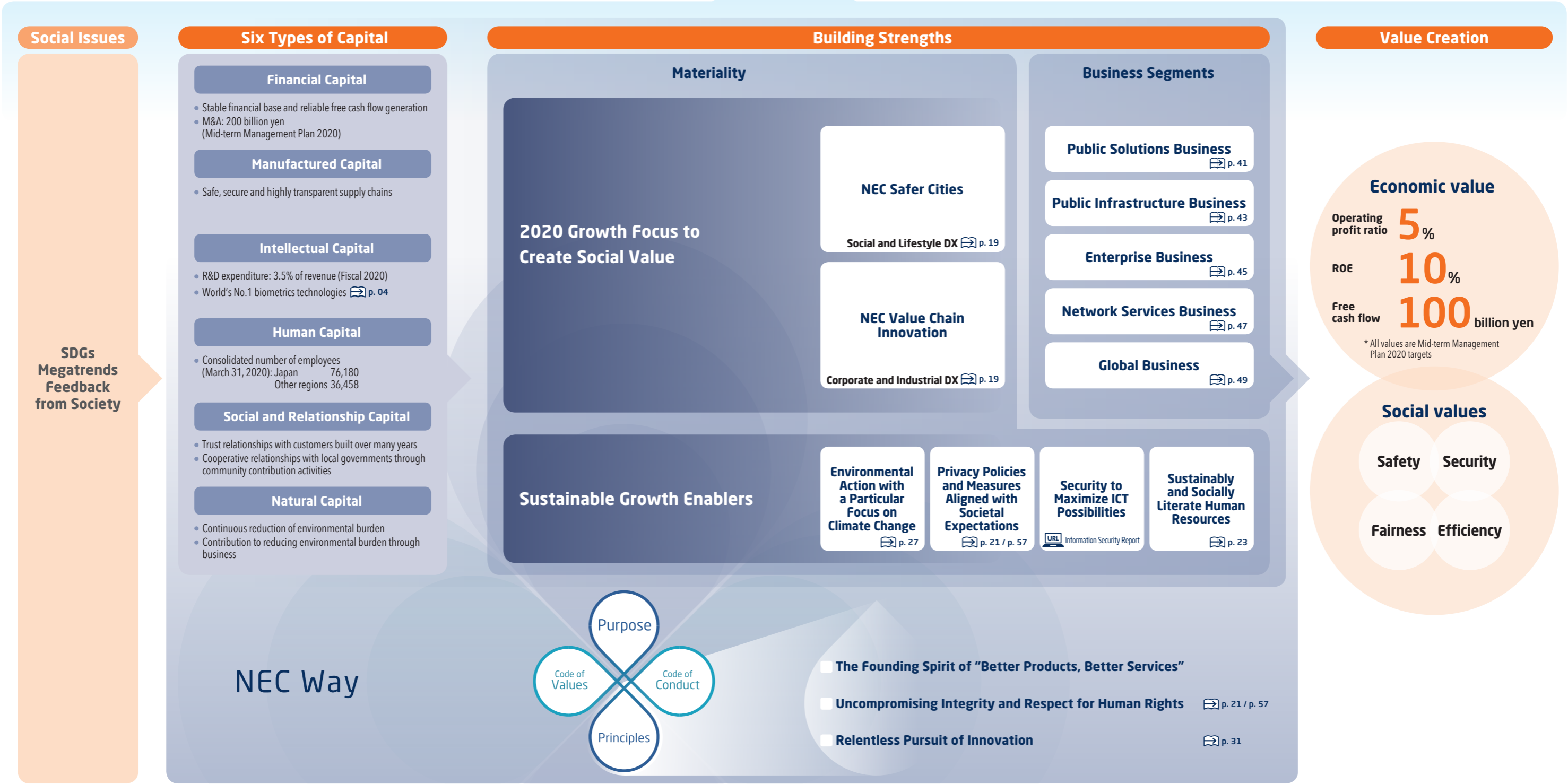
In fiscal 2020, the 120th anniversary of our founding, we redefined the NEC Way and took steps toward getting NEC back on a path to growth. Then, at the end of the fiscal year, the world was suddenly enveloped in the COVID-19 pandemic and the management environment we faced was radically different from the one we envisaged when we formulated Mid-term Management Plan 2020 three years earlier. However, the expectations and demand for DX that NEC is working on have

definitely grown dramatically to a point beyond comparison with previous levels. To achieve new growth, I strongly feel that NEC must seize this moment to demonstrate its true value and meet expectations. To achieve sustainable growth over the next 100 years, NEC will increase its presence as a Social Value Innovator and demonstrate that presence to the world while supporting changes in people and society for a new era.

Value Creation Process

Within its statement of Purpose, NEC has committed itself to 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. Guided by our principles: Better Products, Better Services, Uncompromising Integrity and Respect for Human Rights, and Relentless Pursuit of Innovation, we will invest capital in building up our strengths, including the implementation of our “materiality” –priority management themes from an ESG perspective. We will also contribute to achieving the Sustainable Development Goals (SDGs) through the creation of economic and social value.

Orchestrating a brighter world



Feature

DX Initiatives in Response to the New Normal



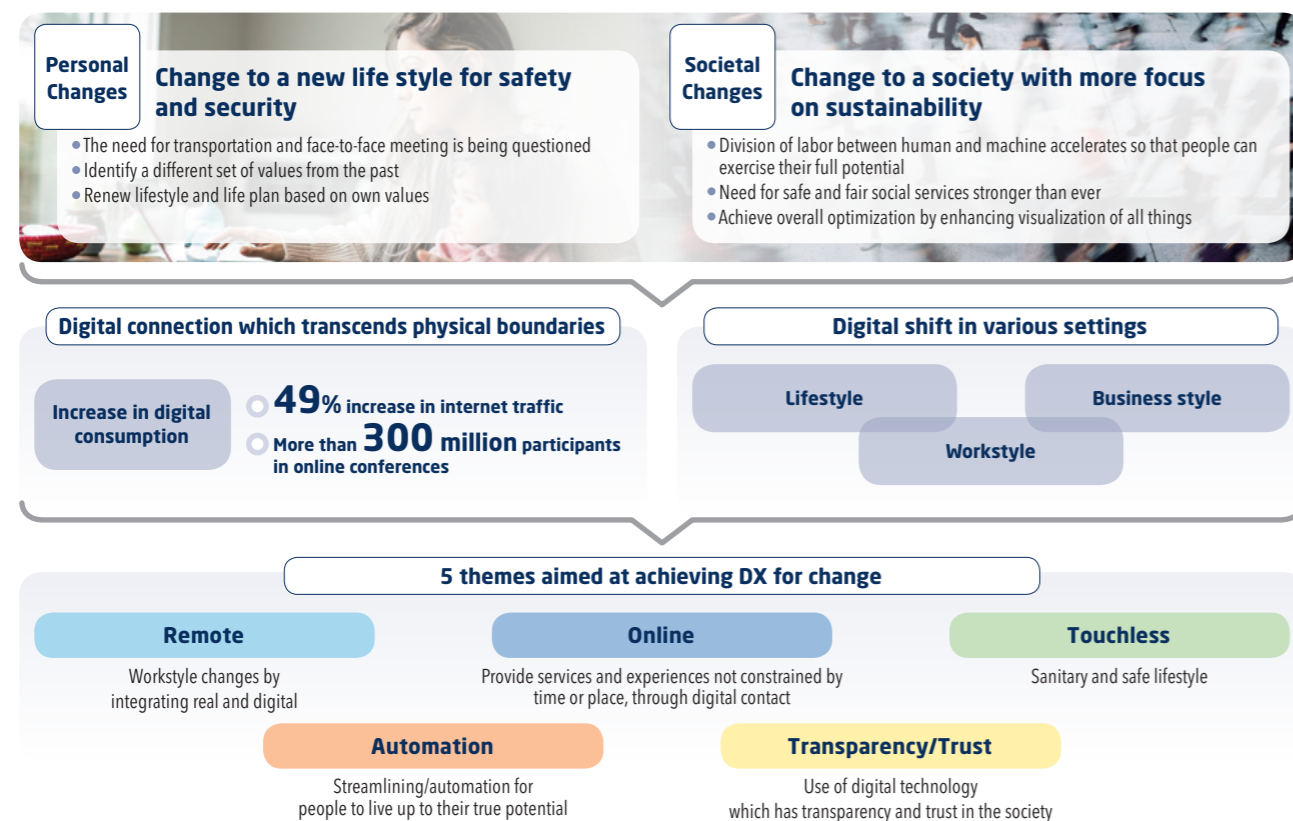
The global COVID-19 pandemic has had a huge impact on our lives and economic activity. Even now, local and national governments all over the world are engaged in crisis management, while medical professionals are making every effort to treat and prevent infections. Consumers are leading their own lives and corporations are conducting their business activities under numerous restrictions.

The status, values and behavior patterns of society have already changed, and new values are going to be created, forming a "new normal." We must accept the new world and change our own behavior.

Since its foundation, the NEC Group has constantly acted as a Social Value Innovator, seeking through its actions to promote human safety and security, social fairness, and economic efficiency. In response to the current crisis, we will aspire to realize the "more sustainable world where everyone has the chance to reach their full potential" cited in the NEC Group's Purpose, as we create new social value that corresponds to the new normal through digital transformation (DX), which is now more important than ever.

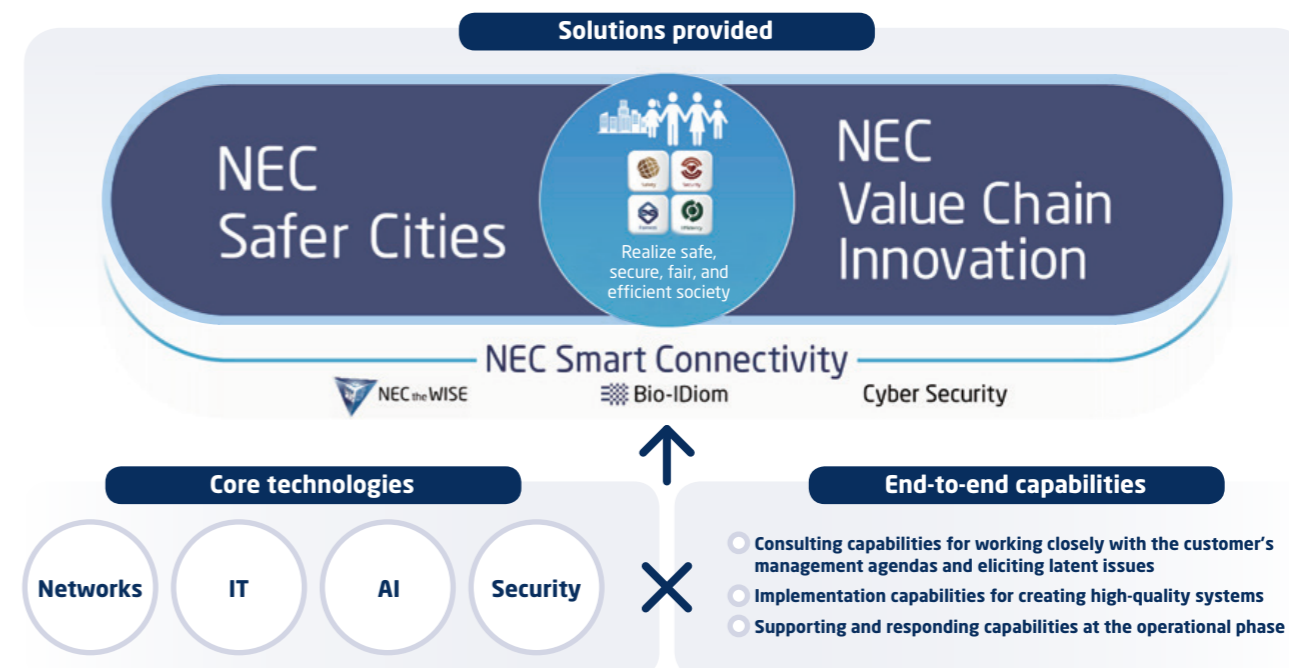
Changes under the New Normal

Changes under the new normal are sparking a digital shift that is accelerating through the whole of society. Society and companies are being called upon to act with greater speed to realize DX that responds to these changes.



NEC's Strengths Enabling the Realization of DX

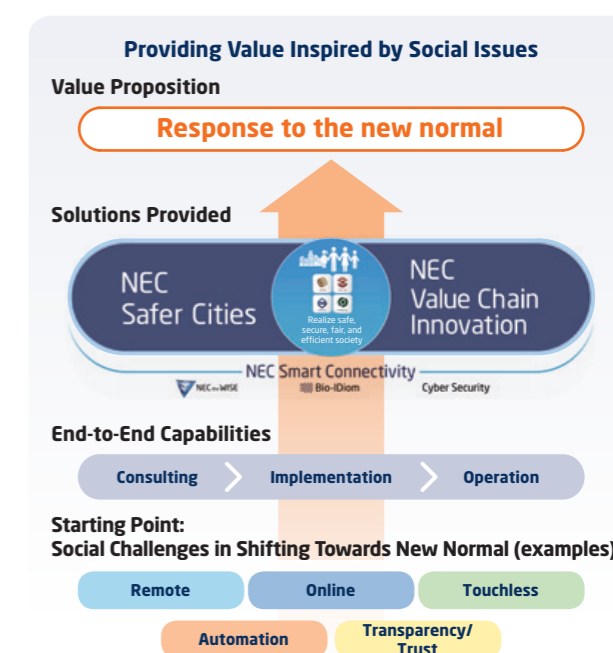
The NEC Group has cultivated end-to-end capabilities over many years. These include network technologies such as local 5G, which is essential for realizing DX, as well as cutting-edge core technologies such as world-class biometrics technologies and various unique AI technologies. Through these technologies, we are providing solutions such as NEC Safer Cities, which realizes DX in the social and lifestyle domain, and NEC Value Chain Innovation, which brings DX to enterprise and industry, and we have already established a considerable track record.



Initiatives for further Acceleration of DX

NEC is grasping the social issues and the changes required to respond to the new normal quickly and accurately, and providing the solutions for them. In this way, we will accelerate DX and create social value in the new normal.

To achieve these aims and to support an increasingly sophisticated digital society going forward, we will further refine the research, development, and implementation of the core technologies we have cultivated over many years and provide customers with end-to-end solutions such as NEC Safer Cities and NEC Value Chain Innovation. With this in mind, NEC will gather all of the capabilities of the Group, as well as focusing its efforts on the development and strengthening of human resources specializing in digital technologies.



NEC Safer Cities
<https://www.nec.com/en/global/solutions/safercities/index.html>

DX for Society and Daily Life—NEC Safer Cities



Case 01 NEC I:Delight – Providing a Unified Customer Experience across Multiple Touchpoints through a Biometric ID, Such as Face and Iris Recognition

NEC I:Delight revolutionizes the customer experience by streamlining physical and digital identities into a trusted ecosystem, creating a unified experience. With contactless solutions that make touchpoints touchless, NEC I:Delight shapes personalized experiences that are safe, secure and hygienic, while being seamlessly enjoyable. Each individual exercises autonomous control over their own personal ID and data, while connecting to multiple corporate and local government services to access them.

[URL https://www.nec.com/en/global/delight/](https://www.nec.com/en/global/delight/)

Case 02 Start of Trials for Next-Generation Online Medical Care at Saiseikai Central Hospital and Saiseikai Kumamoto Hospital

At Saiseikai Central Hospital, NEC is conducting trials of an operating system that provides integrated online medical services, from medical treatment, billing, and prescription issuance. The system makes use of existing electronic medical records, ordinary medical information and online medical information in centrally managing medical examinations through a video telephone system.

At Saiseikai Kumamoto Hospital, which is a core regional hospital, NEC will conduct a trial with other relevant medical institutions of a system that links patients' electronic medical records and uses a video telephone system to conduct conferences on admission preparation, hospital transfer, discharge, and on-line follow-up.



Case 03 Providing a Safe, Secure Online Education System in Denmark

With educational institutions around the world in a state of disarray over their inability to provide lessons due to COVID-19, Group company KMD is providing the latest educational materials through its online education support system, MyEducation. Conventionally, education is considered to be a face-to-face activity, but MyEducation offers a completely new concept to protect and support people's fundamental right to education using digital technology.

Furthermore, MyEducation is also used to create communities between schools and families, teachers and students, supporting the children of Denmark.

DX for Enterprise and Industry—NEC Value Chain Innovation

Case 04 Demand and Supply Optimization Platform Reducing Food Loss with AI-Powered Demand Forecasting

The Supply and Demand Optimization Platform enables food manufacturers to optimize inventory and production, food wholesalers and distributors to optimize inventory and enhance resource efficiency, and food retailers to optimize order planning. The platform contributes to reducing food loss by optimizing demand and supply across the entire food value chain and resolving various issues including excessive production, return of expired food, surplus inventory, and unsold products.

[URL https://www.nec.com/en/global/solutions/optimization/index.html](https://www.nec.com/en/global/solutions/optimization/index.html)



Case 05 NEC SMART STORE Providing a Quick, Comfortable Shopping Experience Touching Only Products from Store Entry through to Completion of Payment

At a cashierless Smart Store that opened in the NEC head office building, customers simply pick out the products they wish to purchase and then payment is processed as they walk out of the store, without the need to queue at the checkout. Automated payment eliminates crowding caused by checkout queues and enables stores to operate with a smaller staff, leading to the creation of stores that are comfortable and secure for both customers and staff. Moreover, with current concerns over physical contact with people and objects, the Smart Store realizes safety and security for customers and staff by reducing cashier interaction time and infection risk.



Case 06 Comprehensive Logistics Visualization Platform to Enable Real-Time Tracking of Containers in Transit

DMICDC* of India and NEC established a joint venture that provides logistics visualization services. The service works by affixing RFID tags to containers when they are unloaded or loaded at ports in Mumbai, reading their data through RFID reader/writers, and uploading the data to the cloud. It also enables operators to grasp accurate positional information about containers in real-time by linking with other systems such as port container management information systems.

This has resulted in shorter transport lead times, reduced inventories, and more accurate production plans, while also helping to reduce the use of fossil fuels by realizing efficient transportation.

* Delhi Mumbai Industrial Corridor Development Corporation Limited (DMICDC)

[URL https://www.nec.com/en/global/about/vision/case/05.html](https://www.nec.com/en/global/about/vision/case/05.html)



Networks Supporting the Realization of DX



Case 07 Konica Minolta and NEC Strengthen Cooperation to Promote DX by Utilizing Local 5G

NEC will collaborate as a partner to promote DX utilizing 5G in the fields of imaging and IoT/AI technologies, working styles, healthcare, and manufacturing. As a first step, NEC will establish local 5G verification environments in the brand new Takatsuki building of Konica Minolta Inc.'s development base, Innovation Garden OSAKA Center. Konica Minolta will combine its imaging and IoT/AI technologies with a variety of assets, including office equipment and medical equipment, as well as NEC's 5G and AI technologies. Through these efforts, they will increase the value added to industrial optical systems, medical equipment, and office equipment, thereby contributing to the achievement of Society 5.0 and SDGs.

Case 08 Rakuten Mobile, Inc. Supporting a Fully Virtualized Cloud Native Mobile Network

NEC is supporting Rakuten Mobile's construction of the world's first highly secure, fully virtualized cloud-native mobile network by providing BSS (Business Support System) and OSS (Operation Support System) solutions and 5G radio equipment compatible with open virtualized RAN (vRAN) technology. NEC and Rakuten Mobile are also jointly developing a containerized standalone 5G core network based on NEC products for the Rakuten Communications Platform (RCP). Through this project, NEC will assist Rakuten Mobile's agile roll-out of mobile carrier services.

Rakuten
Mobile



Case 09 Increased Capacity of Optical Submarine Cable

As society worldwide adopts various digital technologies, large volumes of data are being handled across national borders. Large-capacity optical transmission technology using submarine cables is core infrastructure supporting the handling of large volumes of data. NEC has supported increases in optical submarine cable capacity by compensating for signal distortion using AI analysis results. We are now honing our technologies to achieve even greater capacities by applying optical AI processing, which is expected to enable the achievement of high speed, low power consumption, and low latency simultaneously in submarine cable for the first time.

NEC's Own DX

Case 10 Launch of Digital Office Project to Realize New Workstyles through DX

NEC has launched the Digital Office Project for realizing new workstyles for the new normal era through DX. Focusing on the type of offices required for the new normal era, we have launched trials of various systems within NEC's head office building, such as a gateless entry system that uses advanced ICT (biometrics and image analysis), as well as a cashierless store that can recognize customers even wearing masks. We aim to begin providing solutions one by one during fiscal 2021.



Case 11 Realizing Diverse Workstyles through Telework

NEC respects diverse workstyles as a means of realizing both the growth of the Company and personal growth and happiness. As part of this approach, we have introduced telework. Over 80% of NEC employees carried out telework under the state of emergency that was declared in Japan, preventing infection among employees and their families while enabling business continuity.

Looking ahead, we will continue to place top priority on personal safety and peace of mind, while appropriately combining onsite and remote workstyles to increase employees' quality of life and achieve further growth in our business.

Initiatives for the Future

Case 12 Drug Development Using Cutting-edge AI

NEC is focusing on realizing advanced immunotherapy targeting cancer, infectious diseases, and autoimmune diseases through a new type of drug development method that requires advanced AI analysis.

In January 2020, we initiated clinical trials of individualized cancer vaccines in Europe and the U.S., and in April 2020, we used the AI technologies applied to cancer vaccine development to perform the genome analysis needed to design a vaccine for COVID-19 and published the results.

[URL https://www.nec.com/en/global/solutions/ai-drug/index.html](https://www.nec.com/en/global/solutions/ai-drug/index.html)



Respecting Human Rights

In the Principles of the NEC Way, NEC has committed itself to “Uncompromising Integrity and Respect for Human Rights,” while the NEC Group Code of Conduct clearly requires that human rights be respected in all situations.

In addition, NEC has specified “Privacy policies and measures aligned with societal expectations” as a theme in its “materiality”—priority management themes from an ESG perspective. As such, in addition to compliance with laws and regulations, NEC also plans to develop and supply products and services that meet the range of privacy needs arising from cultural differences in various countries and regions and that are sensitive to human rights issues such as discrimination. Through such means, NEC will strive not only to minimize adverse impacts on society but also to maximize social value.

Increasing the Effectiveness of Activities for Solving Human Rights Issues

NEC is working to increase the effectiveness of its activities for solving human rights issues. We have set targets and KPIs for our activities, and seek to manage the status of our progress and conduct transparent reporting. To this end, since 2016 we have been promoting human rights due diligence, using the Sustainability Promotion Office as a secretariat.

For local subsidiaries, in the Europe, the Middle East, and Africa (EMEA) region, we have established a quarterly review process to monitor the status of progress on human rights and health and safety initiatives for directors and employees of subsidiaries of NEC Europe and their business partners and where violations can be considered and acted upon. In addition, the status of this process is reported to the Board of Directors of NEC Europe once a year.

In fiscal 2020, we created a list of human rights issues to consider in management decision making or business activities by referring to the human rights risk data of an international NPO, Business for Social Responsibility (BSR), focusing on the latest risk

examples in the ICT industry and the inherent challenges for the industry that are expected going forward. Within this list, we identified the potential risks shown below.

Based on the list, discussions were held between representatives from international NPOs and international institutions, legal experts, NEC Corporation officers, and responsible managers of relevant divisions. As a result, we identified “new technologies and human rights (AI and human rights)” and “labor issues in global supply chains” as issues to be carefully monitored, and we are promoting related initiatives.

Furthermore, in response to the COVID-19 pandemic, we will also treat increased vigilance regarding employee health and safety as an important issue going forward.

For further information, please refer to Sustainability Report 2020 “Respecting Human Rights.”

Potential Risks That NEC Should Address

General issues	Access to aid and climate change
Issues related to customers and local communities	Privacy and data protection, right to life and safety, non-discrimination and freedom of movement, speech, expression, and assembly, children's rights
Issues related to the supply chain	Supplier labor standards, forced labor and modern slavery, child labor, procurement of materials from conflict zones and high risk areas, environmental impact, and fair business practices and anti-corruption
Issues related to employees	Working environment, health and safety, right to collective bargaining and freedom of association, non-discrimination and equal opportunity, privacy and information security, youth employment

Initiatives to Promote Business Operations in Relation to AI Utilization with Respect for Human Rights

In April 2019, NEC formulated the “NEC Group AI and Human Rights Principles” (“Companywide principles”) to guide our employees to recognize respect for human rights as the highest priority in our business operations in relation to social implementation of AI and utilization of biometrics and other data (“AI utilization”). Since then, we have promoted initiatives to incorporate this way of thinking into relevant businesses.

In addition to the above, NEC has established the Digital Trust Advisory Council. Our aim is to incorporate diverse opinions from external experts who have specialized knowledge, and use those opinions to strengthen our ability to deal with new issues arising from AI utilization. In fiscal 2020, we held the Advisory Council twice in Japan, and consulted with external experts (a lawyer, a member of an NPO, an academic, and a consumer) on the impacts to be grasped and measures to deal with them, as well as our initiatives to promote business operations with respect for human

rights based on Companywide principles in light of global trends related to biometrics authentication.



Digital Trust Advisory Council

For further information, please refer to Sustainability Report 2020 “AI and Human Rights.”

Strengthening Initiatives to Respect Human Rights in Procurement Activities

We held a dialogue with experts to hear their opinions and advice regarding initiatives for respecting human rights in the supply chain and points to bear in mind.

The experts agreed with NEC Corporation’s concept for procurement activities that incorporate “collaborating” with suppliers to solve issues and “co-creating” to create social value through business. They also commented that addressing human rights issues would also lead to collaboration and co-creation.

Moreover, with regard to issues such as the difficulty of identifying issues facing workers through audits and the delay in establishing a legal framework for increasing individual business owners in the ICT field, the experts suggested that improvements could be made through dialogue and engagement, and that it was important to explore approaches for dealing with owners.

The international community is calling for greater transparency, and as such, in July 2020, we revised our existing CSR Procurement Guidelines and renamed them the Guidelines for Responsible Business Conduct in Supply Chains. We have also distributed a declaration to over 7,000 suppliers as of August 2020, seeking their compliance with the guidelines.

Through these Statements of Agreement, we will further promote responsible procurement activities, including respect for human rights.



Photograph from left: **Toshiyuki Nakamura**
Assistant General Manager, Purchasing Division, NEC Corporation
Kazuhiro Okimi
General Manager, Purchasing Division, NEC Corporation
Shigeki Shimizu
Senior Vice President and CSCO, NEC Corporation
Ryusuke Tanaka
Programme Officer, ILO Office for Japan
Daisuke Takahashi
Partner Attorney, Shinwa Sohgo Law Offices
Asako Nagai
Managing Director, BSR (Business for Social Responsibility)
*This dialogue was held in February 2020.

For further information, please refer to Sustainability Report 2020 “Strengthening Initiatives to Respect Human Rights in Procurement Activities.”

Sustainably and Socially Literate Human Resources

NEC considers its officers and employees to be its greatest management resource. Based on the NEC Way, we are working to develop human resources and an organizational culture that are able to continuously create value for society, constantly acting from a customer-oriented perspective with a high sense of ethical value and a deep understanding of the essential issues faced by customers and society.

“Sustainably and socially literate human resources” are one aspect of NEC’s “materiality”—priority management themes from an ESG perspective. We have implemented various measures organized by role and theme while making strategic investments.



Aiming to Be a Competitive Global Organization

As society continues to change, we need to identify clear goals and outline approaches that leverage our strengths: being agile, never missing an opportunity, and embracing risk even if it means failure.

This requires each individual to take ownership of their work and drive relentlessly towards their end goal, resolving challenges as they arise with passion and determination. In addition, to create a foundation for this kind of attitude, we believe it is important that we firmly establish an organizational style and culture where all employees can participate actively and grow based on this stance, helping one another to attain higher levels of achievement without being concerned over confrontations or status.

NEC has defined this ideal for human resources in its Code of Values of the NEC Way, aiming to create strong individuals and strong teams.

In addition, in November 2019 we formulated a new HR policy, “NEC, for those who seek challenge,” aimed at clarifying our ideas on a string of measures for transforming our people and our organization so that they can continue to compete successfully in the global arena.



HR policy “NEC, for Those Who Seek Challenge.”

Reforming Evaluation and Development to Strengthen Execution Capabilities

In working toward the Mid-term Management Plan 2020 theme of “strengthening execution capabilities,” we are reforming the evaluation system in fiscal 2019.

To further fortify management’s commitment to business performance, we introduced a system that links bonuses to the level of achievement of annual key performance indicators (KPIs) that are clearly defined for both the short and medium terms based on role and responsibility. In fiscal 2021, we will incorporate organizational and human resource development through practical implementation of the NEC Way into the job descriptions of all officers. We will also incorporate the implementation of materiality themes into the descriptions for in-house directors, aiming to strengthen our execution capabilities starting with our officers.

For employees, in fiscal 2019 we introduced a system of nine blocks and multifaceted evaluation to give a fair evaluation of both performance and behavior. We are also aiming to achieve better performance management and support for team member growth by ensuring one-on-one meetings between supervisors and their team members.

NEC Corporation has extended internal job postings, previously conducted periodically, to a year-round system, and in fiscal 2020, we introduced NEC Growth Careers (NGC) as an internal job posting system. By constantly presenting and providing positions within the Company to all employees, we provide timely opportunities for them to realize attractive in-house careers, while also promoting the right person for the right position, at the right time.

Cultivating and Acquiring Professionals

NEC Corporation is systemizing skill maps by job category and position. By clearly showing employees which skills are required for each position, they can find positions close to their own envisaged careers, or check the role, responsibilities, and required skills of a position. By evaluating the status of their skills with a skill assessment, they can continuously develop their capabilities with the support of their supervisors.

NEC is also acquiring and developing top-level human resources. In 2015, we introduced the post of research fellow, which has no upper limit on compensation. In 2019, we introduced the Selective Compensation Program for Professional Researchers, with no upper limit on compensation for non-managerial employees.

In April 2020, certain personnel with high levels of expert knowledge and ability in certain fields outside of technology and research, and who contribute to the Company’s business through their ability to make an impact in and outside the Company, were appointed to a new officer class professional position called “Corporate Executive.”

We are also promoting the development of professional human resources outside the Company, and in April 2019 we opened the NEC Academy for AI. The academy is a place for learning and practice where we are developing professionals in the AI field who can solve social issues.

Developing the Next Generation of Leaders

The NEC School for Social Value Creation was established in fiscal 2017 as a training program for nurturing the next generation of leaders.

This executive-level program provides opportunities for participants to engage in dialogue with various stakeholders and gain practical experience at domestic and international sites. Based on this dialogue and experience, the participants create business ideas and business models for realizing social value. At training programs for frontline leaders, participants study and create business models for social value creation, then refine their models

by testing, examining and revising them at actual customer sites.

The Social Issue Experience Human Resource Development Program (SENSE) for all employees was launched in fiscal 2020 with the aim of developing human resources capable of quickly sensing latent social needs and issues and speedily providing solutions. Under SENSE, we conduct various training programs, including the “going abroad program,” where participants are immersed deeply on the frontline of a particular social issue, including abroad, and work out solutions for the problem together with frontline team members.

Listening to the Next Generation of Leaders

I want to bridge the business divisions and research labs to create synergies.

I am currently in charge of the quantum computer project, while also working in the AI Analytics Division. My aim is to merge AI and quantum computing, and to start up a business.

In my first winter in this job, I spent a week at NEC Laboratories America, where I had discussions with researchers working at the cutting-edge of machine learning. I reflected the results of these discussions in our development work, so it was a very valuable experience. I began working concurrently in the research lab in my third year, and also joined the quantum computer project, which led to my involvement in various departments in NEC as well as ventures and meetings in Japan and abroad.

NEC gives meaningful work assignments to young workers, and there is an atmosphere of wanting to change the current state of things. I think that another strength of NEC is its approach of thoroughly studying issues on site then coordinating with research labs to enhance its technologies.

I hope that the integration of AI and quantum computers contributes to the realization of social values such as safety, security, fairness and efficiency that NEC seeks to provide.



Natsuko Yoshida
AI Platform Division
NEC Corporation

Promoting Inclusion and Diversity

To promote the cultivation of “socially literate human resources,” it is important to create a culture in which employees can understand, respect, and empathize with diverse values and perspectives.

NEC Corporation is promoting inclusion and diversity (I&D) from various perspectives, including promotion of global recruitment of human resources, promotion of women’s career advancement and active participation in the workplace, promotion of employment of people with disabilities, and promotion of understanding of LGBT (lesbian, gay, bisexual, and transgender) people.

Promotion of Global Recruitment of Human Resources

To achieve global business expansion, we are working to recruit various non-Japanese individuals in our research, technology, sales, and corporate administration departments. Through these efforts, we strive to increase the quality of our workforce and promote diversity in each department. We are also working proactively to recruit employees of subsidiaries outside of Japan to work at NEC Headquarters and to facilitate interactions with these personnel and develop high-level human resources.



The prayer room at NEC Head Office building

We also make efforts to create a comfortable working environment for employees who need to make religious observances. For example, in March 2020, we opened a prayer room in the Head Office building.

Promoting Employment of People with Disabilities

Guided by the principle of “do what you can do on your own, and help each other for things you cannot,” we have been proactively developing skills and improving conditions for people with disabilities.

In January 2020, NEC became a signatory to The Valuable 500 initiative for promoting active participation of people with disabilities in the workplace, which was launched at the World Economic Forum annual meeting in Davos. By supporting people with disabilities through employment and contributing to society through support for parasports, we will provide safety, security,



fairness, and efficiency. In doing so, we aim to enable people with disabilities to enjoy a rich range of social activities.

Goals of I&D

To transform the organization structure and culture into one that transforms individual differences into strengths, responds with agility to change, and continues to compete strongly and win.

For further information, please refer to Sustainability Report 2020 “Inclusion and Diversity.”

Promoting Women’s Career Advancement and Active Participation in the Workplace

We have been working to increase women’s career awareness through various measures. These include a seminar for employees returning from childcare leave and discussions and study sessions hosted by the voluntary association of female members of NEC’s management.

In fiscal 2020, we selected promising female employees from a wide range of ranks to begin career development through training assignments at other companies, assessments and coaching from in-house career coaches, group mentoring, and female networking, among other activities.

Promotion of Understanding of LGBT People

In fiscal 2020, sessions were held for all officers, including the President, designed to foster understanding of LGBT, with lectures provided by the people involved. In addition, a group of members primarily from the People and Organization Development Division started activities as LGBT allies* with a public face, who provide direct responses to inquiries and consultation requests from LGBT people.

In October 2019, we revised internal regulations to make provision for LGBT employees. We added “a person who is a de facto marriage partner or in a partner relationship” to the definition of “spouse” in order to give de facto marriage partners, including same-sex marriage partners, equal treatment to legally married couples.

* Ally: A supporter who understands the situation of LGBT individuals

Autonomous Design of Working Time and Location

From October 2019, NEC Corporation abolished core time and introduced a flex time system without core time (super flex), aiming to transition to a style of working that is devised by the members of each team in line with the business and the situation of the members, rather than following a uniform style presented by the Company. By combining this system with telework, we encourage individual employees to design their work hours and locations autonomously, aiming to enable individuals and teams to achieve better productivity.

Furthermore, in July 2020 we published the *Work Style Design Book* to serve as a reference for individuals and teams when thinking about their future careers as they continue to adopt these new workstyles going forward.

NEC aims to continue growing as a company that is the preferred choice of society, and as an attractive company where every employee can palpably feel a sense of personal growth and happiness from working there.



BASE Tamagawa – a co-working space that opened in the Tamagawa Office in July 2020

Response to the COVID-19 Pandemic

As the impact of the COVID-19 pandemic becomes prolonged, causing significant changes in social activity, NEC considers its top priority to be ensuring the personal safety and security of its employees and their families. NEC Corporation and its consolidated subsidiaries in Japan and abroad have implemented countermeasures to prevent infection. These include rigorously implementing temperature checks of all employees each morning, enforcing handwashing and mouth rinsing, staggering shifts and encouraging teleworking, utilizing web conferencing, and ensuring that people do not come to work when feeling unwell. We are also promoting telework even further by encouraging work at home whenever possible.

At NEC Corporation, we have been promoting telework since 2018 by creating work systems and environments that enable all employees to work from home. Therefore, we have been able to continue our operations without major disruption even under the current circumstances.

At the front lines of research and development, it was common for researchers to go abroad to engage in face-to-face discussion. Now, the use of common communication tools has enabled many researchers in related fields to participate in simultaneous, dynamic discussions. Moreover, the new research style is helping to accelerate the development of solutions through efficient sharing of daily research results and rapid progress through discussion and analysis, enabling them to reach agreement more quickly.



A face recognition access control system that can be used even with masked people (employee gate of NEC Head Office building)

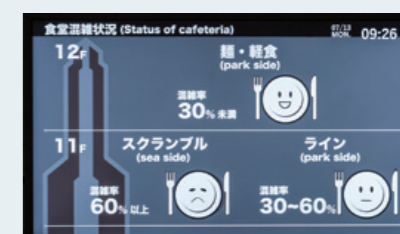


Image analysis technology can conduct visualization even in crowded situations such as cafeterias and elevators, enabling users to check crowding status in real time from their own workstation PCs and so forth.

For further information, please refer to Sustainability Report 2020 “Creating a Diverse Work Style Environment” and “Business Continuity.”

Environmental Action with a Particular Focus on Climate Change

To date, NEC's environmental management initiatives have focused on using ICT to reduce the amount of CO₂ emissions from customers and society. However, we have now expanded our efforts to incorporate a wider range of issues in preparation for the various impacts of climate change. We are thereby providing value with our climate change countermeasures from the perspectives of both "mitigation" and "adaptation." In fiscal 2018, we began assessing the impact of climate change in terms of both risks and opportunities, in line with the recommendations of the TCFD.* Subsequently, in fiscal 2019, we positioned "environmental actions with a particular focus on climate change" as one of our nine "materiality"—priority management themes for ensuring the sustainable growth of NEC. We are broadening our activities through coordination among our business divisions to promote future business expansion.

* TCFD: Task Force on Climate-related Financial Disclosures

Risks and Opportunities

The TCFD recommends we evaluate the issues related to climate change-induced risks and opportunities, such as transition risks arising from changes in regulations and markets, and physical risks associated with disasters and weather phenomena. As NEC has had the experience of having to suspend plant operations in Thailand due to flooding in the past, we are strengthening our response measures, including earthquake countermeasures, to address physical risks from the standpoint of our business continuity plan

(BCP). Also, on the issue of carbon pricing, the introduction of which is being considered in various countries, we assess the potential impact it would have on business performance when such systems are adopted. As for opportunities, our current ICT-driven business lineup features a wealth of products, software, and services that provide corporate opportunities for climate change engagement. As such, we believe we can contribute widely to global climate change response initiatives through our business activities.

Overview of Risks

Type	Time Frame	Summary	Main Initiatives
Physical risk (acute/chronic)	Short term	Increase in business expenditures for the impact of abnormal weather and countermeasures	Reevaluate data center disaster countermeasures based on actual records of disaster damage in Japan, and strengthen countermeasures such as capital expenditure if necessary.
Transition risk (Market)		Decrease in earnings caused by declining demand for products and services due to an increase in concerns among stakeholders	Acquire SBT designation and promote initiatives to expand renewable energy to achieve them. Periodically survey major customers' climate change countermeasures.
Transition risk (government policy and laws)	Medium term	If NEC fails to achieve goals due to an increase in greenhouse gas emissions pricing due to the introduction of carbon pricing, it will incur expenses	Discuss and decide on countermeasures to minimize risk in the Business Strategy Council. Expand efficient use of energy and introduction of renewable energy towards achieving the SBT goals.



For further details on our disclosure of information based on the TCFD recommendations, please refer to our Sustainability Report 2020 "Feature: Response to Climate Change and the TCFD."

Aiming to Reduce NEC Corporation's CO₂ Emissions to "Effectively Zero" by 2050

In July 2017, we formulated our climate change countermeasure guidelines up to 2050 in order to strengthen NEC's sustainable management base and promote creation of a sustainable society

together with our customers. In accordance with these guidelines, we aim to reduce CO₂ emissions associated with NEC's business activities (Scope 1 and Scope 2) to effectively zero by 2050.

Course of Action for Climate Change Towards 2050



NEC's Initiatives Toward Achieving the SBTs

In December 2017, NEC committed to making science-based targets (SBTs) for its greenhouse gas emission reduction targets, aiming to achieve the so-called 2°C target of the Paris Agreement. Subsequently, these targets were designated as SBTs by the

Science Based Targets Initiative on October 31, 2018. In fiscal 2020, our targets were categorized under the new standard, "well below 2°C."

The NEC Group's SBTs

Scope 1 + 2* ¹	Reduce greenhouse gas emissions by 33% compared with FY2018 by FY2031
Scope 3* ²	Reduce greenhouse gas emissions from products sold by 34% compared with FY2018 by FY2031

*1 Total of Scope 1 (direct greenhouse gas emissions from sources that are owned or controlled by the Company) and Scope 2 (indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam)

*2 Scope 3 (other indirect emissions covering corporate upstream and downstream processes not included in Scope 1 + Scope 2)



CDP* Climate Change “A List”

NEC's climate change initiatives and information disclosure in fiscal 2020 were recognized by its listing on the “A List” of companies holding the highest rating in the CDP* “Climate Change” division.

* CDP: An international non-profit organization that operates a global information disclosure system for investors, companies, municipalities, and countries, and regions to manage environmental impacts. In fiscal 2020, over 8,400 companies worldwide disclosed information through the CDP.



Dialogue with External Experts Regarding Environmental Action with a Focus on Climate Change

Since 2016, we have continued to engage with our stakeholders and to hold dialogues with external professionals.

We explain our environmental activities to gain their understanding. Also, we learn from experts' insights and their information on ESG investors' needs in order to improve our initiatives and information disclosure.

In March 2020, we held discussions with external professionals with expertise in sustainable management, information disclosure, and responsible investment, to address the question: What is necessary to make “environmental action with a particular focus on climate change” into a core driver of sustainable growth? The dialogue session was attended by the Executive Vice President and CDO of NEC Corporation, the Senior Vice President and CSCO (executive officer in charge of promoting environmental management), and officers from the Environmental Promotion Division and Corporate Communications Division.

Going forward, we will further enhance our activities by taking into consideration the opinions of those experts, who advised us to: “visualize” targets for environment-related activities, present a “long-term vision” for the future, focus on other environmental issues outside of climate change, such as circular economies, and that they expected NEC to show leadership in creating new markets.



Meeting with experts



Photograph from left: **Peter D. Pedersen**
Co-Founder of Next Leaders' Initiative for Sustainability (NELIS)
Ayako Sonoda
Representative Director of Cre-en Inc.
Toshiyuki Imamura
Managing Director, Head of Responsible Investment,
Nomura Asset Management Co., Ltd.

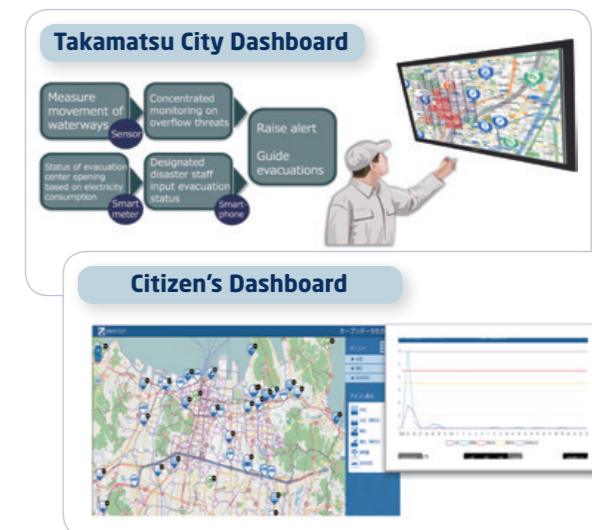
For further details, please refer to our Sustainability Report 2020
“Environmental Action with a Particular Focus on Climate Change”

Example of Climate Change Countermeasures: Disaster Prevention Initiatives at Smart City Takamatsu

NEC has been promoting the Smart City Takamatsu project in collaboration with Takamatsu City since fiscal 2018. Within the project's framework for leveraging ICT, IoT, and other advanced technologies for urban development, we are also pursuing initiatives for rapid information sharing to support disaster prevention across wide areas. Under this initiative, various disaster prevention data that had existed separately are collected and aggregated, then converted into a standardized form of unified data so that wide area disaster prevention information can be integrated and displayed on the Takamatsu City Dashboard. This leads to faster information sharing among disaster response personnel and multiple local governments by helping them to quickly gain a comprehensive understanding of circumstances.

Furthermore, we are also directing our attention to flood control support measures. Recent torrential rainfall has caused flooding of small and medium-sized rivers in urban areas, resulting in heavy damage. To address this, we are conducting research on river water

level prediction using AI, which is expected to contribute to ensuring earlier evacuations of residents in affected areas in the future.

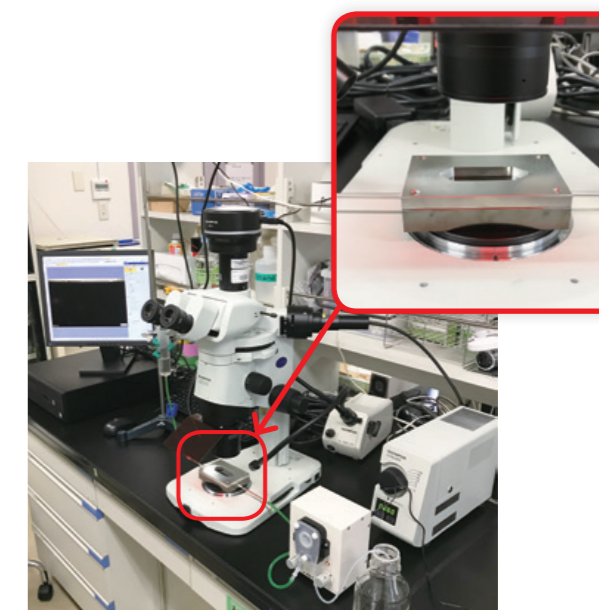


Example of Resource Recycling: Development Support for AI-based Analysis Technology for Microplastics

The problem posed by plastic waste has grown into a global environmental issue. In some cases, the failure to properly dispose of plastic waste results in the plastic being carried away by the wind and rainwater into rivers, and eventually into the oceans. The plastic that has entered the oceans is exposed to ultraviolet rays and other elements that in due course break it down into small particles of 5 mm or less called microplastics. These microplastics continue to exist in the oceans for a considerably long time without decomposing.

With our ICT solutions, NEC is supporting the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) in the development of microplastics-related technologies. Specifically, we are building a system for automatically measuring the size and classifying the shape of fine microplastics through observation with a fluorescence microscope and by utilizing AI. In the future, it is expected that such analytical technology will become established and see widespread deployment, and advancements in the elucidation of the actual situation of marine microplastics will lead to assessments of specific environmental pollution risks, reviews of emissions regulations, and actions in other areas.

Note: The above activities were carried out with support from the Environmental Research and Technology Development Fund (SII-2) of the Environmental Restoration and Conservation Agency



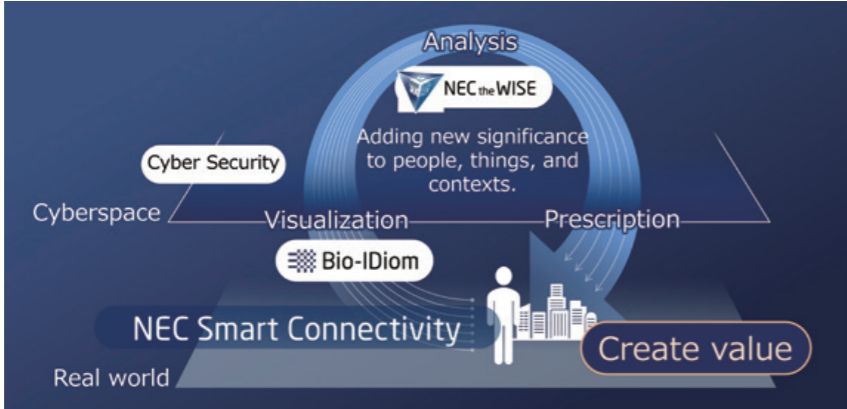
Data on microplastics is acquired by fluorescence microscopy imaging.

Innovation Management

NEC has adopted “Relentless Pursuit of Innovation” as one of the Principles of the NEC Way. This “innovation” represents not only technological innovation, but also changes in business models and creation of new value that impacts the economy and society. From yesterday to today and from today to tomorrow, our efforts in pursuit of a better society and corporation, in conjunction with our endeavors to co-create with a diverse range of stakeholders, leads to innovation.

NEC has been and will remain passionate about innovation, and will continue to innovate in society by making full use of cutting-edge technologies, extensive knowledge, diverse experiences, and original ideas. As a major part of this, we focus on explaining our initiatives to strengthen our technological capabilities and to pursue innovation through commercialization as the keys for continued provision of value to society.

Concentrated Investment in No.1/Only 1 Core Technologies



With regard to strengthening our technologies, under the direction of our Chief Technology Officer (CTO), we have formulated a technology strategy for the next stage of growth. We will continuously allocate approximately 4% of our revenue to R&D and make concentrated investments in NEC's proprietary No.1/Only 1 core technologies.

We are concentrating investment in two areas of technology: data science and ICT platforms.

In the area of data science, we are developing AI technologies that contribute to the creation of new value by carrying out visualization, analysis and prescription for the real world.

In the area of ICT platforms, we are developing computing and network technologies that can adapt dynamically and in real-time to changes in the real world, and security technologies that allow social systems to operate securely and stably.

As part of these efforts, we will continue to strengthen “NEC the WISE” as a cutting-edge AI technology brand, along with our “Bio-IDiom” brand for biometric authentication products.

In April 2019, we established a new brand, “NEC Smart Connectivity,” that leverages NEC's strengths in network technologies. In addition to technologies for visualization, analysis and control/guidance of the real world, networks that connect a large volume of data will also play a significant role in providing value to customers going forward.

At NEC Corporation, because intellectual property is regarded as an essential business resource supporting our Group's competitiveness and stability, as well as for contributing to co-creation with our customers, we strive to strengthen and protect not only our patents and knowhow but also the designs and trademarks that support our global brand.

Aggressive Push to Commercialize Technologies

We are actively promoting a transition into new business models that transcend existing business frameworks and the development of business from NEC's core technologies.

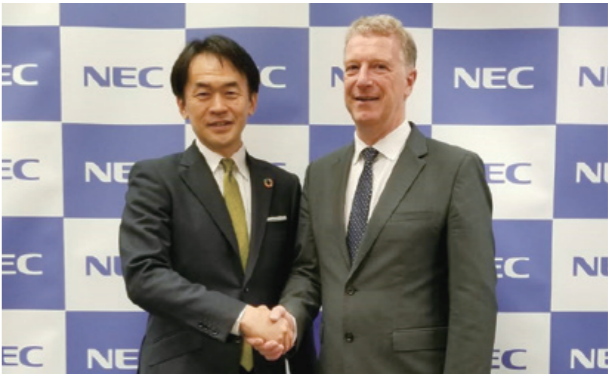
Inspired by social issues and our core technologies, we will formulate hypotheses about issues, undertaking “business exploration” to promote development of business models through practical field testing and “business development” to implement new business models and realize high social value and sustainable growth. Among these activities, we not only establish business within NEC, but also promote business development activities through various schemes that include spin-outs and carve-outs.

In May 2019, we announced our full-scale entry into the drug development business with a focus on advanced immunotherapies, such as for the treatment of cancer, where we can leverage the strengths of our “NEC the WISE” brand. As a first step, we developed an investigational drug jointly with Transgene SA (head office: Strasbourg, France) and became the first Japanese company to begin clinical trials in Europe and the U.S. for personalized neoantigen* vaccines for head &neck cancer and ovarian cancer.

The 181st Ordinary General Meeting of Shareholders, held in June 2019, approved an amendment to the Articles of

Incorporation, establishing a new objective: “To manufacture, sell or otherwise dispose of, medicines, quasi-medicines, reagents, and other chemical products, and to provide medical support services and medical testing services” (Article 2 (5)). We will expand the social solution business by further promoting the medical system business and the drug development business using cutting-edge technologies.

* Neoantigen: Newly generated cancer antigens associated with genetic mutations in cancer cells. Neoantigens are not expressed in normal cells, but are found only in cancer cells, many of which vary from patient to patient.



Éric Quéméneur, Pharm.D., Ph.D., Executive Vice President and Chief Scientific Officer, Transgene, (right) with Osamu Fujikawa, Senior Vice President, NEC Corporation (left).

Tackling Social Issues

Contributing to the Improvement of Lifestyle Habits of India's Bihar Residents

In February 2020, the Government of Bihar (Republic of India), NEC Corporation, and NEC Technologies India Private Limited concluded a memorandum of understanding (MOU) on collaboration in the area of preventive healthcare services.

This collaboration is aimed at promoting the health and wellness of citizens in the state of Bihar, India. The three parties will collaborate to offer periodic, home-visit health check, and encourage citizens to change their lifestyle habits.

For the first part of this project, a pilot trial was conducted in February 2020.

In this pilot, community healthcare workers known as Accredited Social Health Activists (ASHA), who are appointed by the Government of Bihar, provided complimentary door-to-door health checks for approximately 4,200 citizens in the state and offered advice for improving lifestyle habits. Citizens with the need to make considerable improvements to their lifestyle habits are arranged for consultation with an Auxiliary Nurse Midwife, a village-level health worker, for further examination of blood pressure and blood glucose levels.

NEC developed and provided a health application capable of showing each citizen's health status and providing advice according to the data recorded by ASHAs. NEC also provided android tablet devices, measuring equipment and training for the ASHAs. Furthermore, we analyzed the collected data from various perspectives and provided the analysis to the Bihar state government in the form of a health status dashboard, which was extremely well received.

Going forward, while continuing to promote job creation and vocational training for ASHA workers, we aim to contribute to the creation of social and economic value by also providing solutions that will allow the state government to use medical examination data for decision making to prevent an increase in social welfare costs.



MOU signing ceremony

Message from the CFO



Optimizing short-term profit and maximizing long-term profit to grow and enhance corporate value through appropriate capital allocation

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

We are currently making steady progress toward achieving our targets under Mid-term Management Plan 2020. An important issue is capital allocation.

With regard to the cash we generate, it is important to think about long-term business results when considering its allocation. Focusing excessively on short-term profit may lead to reduced opportunities for investment in development as well as expenses for sales expansion based on a shortsighted

outlook, which is not advisable. Since my appointment as CFO, I have promoted the view within the Company that in conducting management, short-term profit is to be optimized and long-term profit is to be maximized.

I will explain our initiatives to generate cash and our approach to capital allocation, also touching on the impact of the COVID-19 pandemic.

Cash Generation

Improving profitability and increasing asset efficiency are both important for generating cash to fund the abovementioned capital allocation. Another way to generate cash is to monetize assets.

Improving Profitability

We are strengthening our profit structure so that we can continue making the investments needed to survive amid global competition. In fiscal 2019, we carried out structural reforms that reduced fixed expenses, the effect of which was reflected in our profit levels for fiscal 2020.

In terms of business portfolio reform, we decided to deconsolidate NEC Display Solutions Ltd. and convert it to a joint venture in an agreement with Sharp Corporation in March 2020. Then, in June 2020, we decided to stop accepting new orders in our global energy business. By continuing to focus on our core businesses, we will increase profitability.

Unprofitable projects weigh down on profits. Currently, we are making improvements in this area with the aim of reducing the losses from these projects from a level of more than 10.0 billion yen to less than half of that. Projects may become unprofitable if they are investments in new domains or in novel projects, or if risks have materialized due to inappropriate project management. By conducting more stringent checks from a legal standpoint, we have managed to reduce the level of unprofitable projects to a

certain extent. We can improve further by strengthening early detection of risks in the upstream stages of the projects.

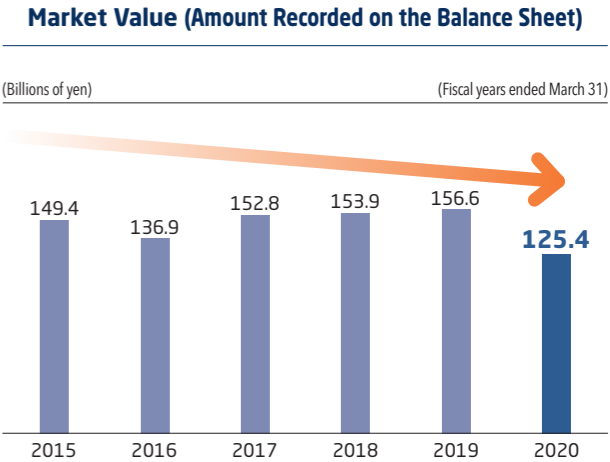
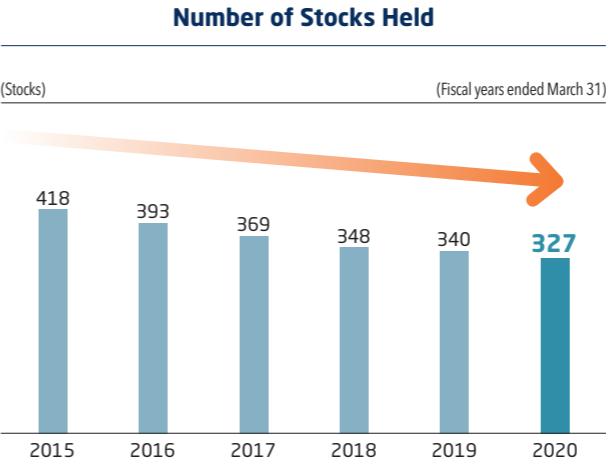
Increasing Asset Efficiency

In an effort to increase asset efficiency, we are promoting companywide CCC improvement measures such as implementing prepayment negotiations, ensuring appropriate cycle times and optimizing inventory levels. In fiscal 2020, we conducted a pilot project in four divisions and managed to introduce improvement measures worth over 10.0 billion yen. From fiscal 2021, we will build a cross-divisional team of several hundred people to expand these activities companywide.

Monetizing Assets

In April 2020, we decided, in principle, to eliminate cross-shareholdings. The method and timing of the sale of these shareholdings has been the subject of careful consideration. I aim to complete the sale of shares totaling at least 50.0 billion yen over the coming year or so. Cross-shareholdings will be held only when the Board of Directors has accepted the rationality of the shareholdings, having clarified their strategic value and considered the return from a capital cost perspective.

In addition to cross-shareholdings, we are also actively monetizing available-for-sale assets.



Capital Allocation

We are making good progress with Mid-term Management Plan 2020, and steadily executing measures aimed at achieving the final-year target of an operating profit ratio of 5%. In our next mid-term management plan, we will target an even higher operating profit ratio.

To do so, I believe it will be important to allocate capital appropriately, seeking a balance between a sound financial structure, shareholder returns, and growth investments.

Ensuring a Sound Financial Structure

With regard to ensuring a sound financial structure, I believe that our balance sheet is sufficiently stable. Taking our D/E ratio and net debt/EBITDA ratio as indicators of soundness, we will allocate capital to increasing financial soundness in parallel with making growth investments with a view to raising our credit rating.

Shareholder Returns

Turning to shareholder returns, our target for the dividend payout ratio is around 30% of the average profit over the past five years. Our policy is to realize stable dividend payments to meet shareholder expectations. At the moment, we don't plan to conduct any share buybacks. Given NEC's current business environment, we believe that we can create greater corporate value by making growth investments such as M&As, and that increasing corporate value will result in a better return to shareholders.

Review of Fiscal 2020 and Financial Management in Fiscal 2021

I have explained NEC's basic policy for capital allocation and the generation of cash to fund it. Now I will review our financial results for fiscal 2020 while explaining our initiatives for achieving our targets for fiscal 2021, the final year of Mid-term Management Plan 2020.

Growth Investments

The main recipients of capital allocation for growth investment are R&D investment and M&As.

Our current R&D expenses account for just under 4% of revenue. Over the long term, however, we want to expand our R&D targets by raising the level nearer to 5% after increasing the profit levels of our businesses. We will discuss an appropriate level of R&D expenses for the next mid-term management plan, as we ascertain the outcomes of our investments to date.

Looking at M&As, during Mid-term Management Plan 2020, we invested around 200.0 billion yen to acquire Northgate Public Services Limited (NPS) and KMD Holding ApS (KMD). The post-management integration process for these two acquisitions is proceeding steadily, and we are beginning to see synergistic effects. In addition, these M&As have contributed significantly to growing our NEC Safer Cities business. We will continue executing M&As targeting companies that will directly boost the growth of our core businesses, to the extent that such investment does not impair our financial soundness. When making these evaluations, I think it is important that the target company has an established customer base and strong products, and the ability to stably generate cash. At the same time, we also regularly check the level of our risk assets, and maintain the ability to make investments without causing concerns over business continuity. We will maintain equity at a level that will not be impaired by events such as the recent COVID-19 pandemic.

NEC's basic policy for capital allocation is to maintain this balance between growth investment, shareholder returns, and increasing the soundness of its financial structure.

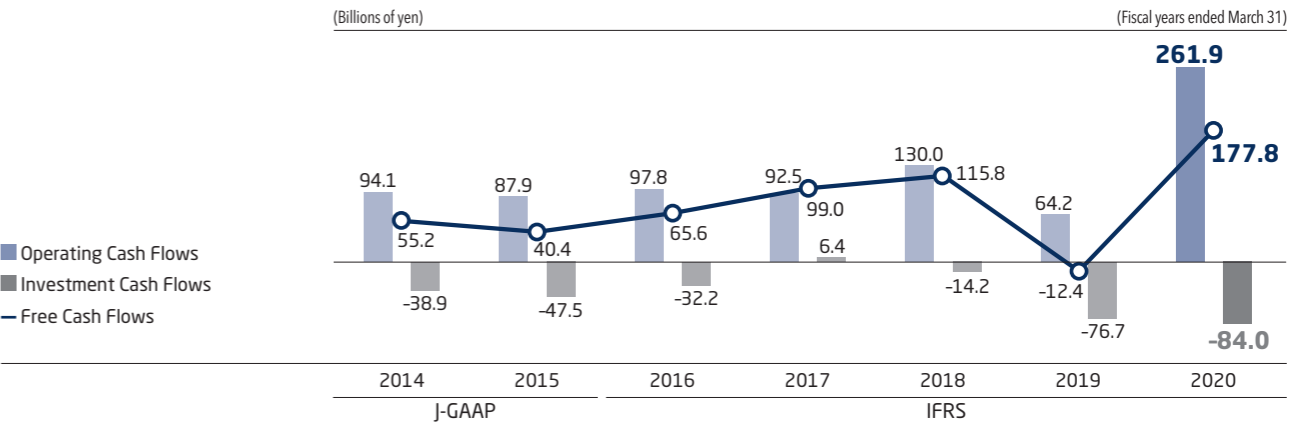
In fiscal 2020, we achieved tremendous year-on-year gains in both revenue and operating profit as we reaped the benefits of a series of structural reforms conducted in fiscal 2019, and each segment made improvements. Looking back over the past two years, we made advance payments for expense and structural

reforms once we were sufficiently sure of achieving our internal targets. These payments totaled 15.0 billion yen in fiscal 2019 and 27.0 billion yen in fiscal 2020. We are now carrying out measures related to proposed investments for fiscal 2021 onward, improvements to the profit structure, and optimizing our assets.

Net profit totaled 100.0 billion yen, its highest level in 23 years, mainly due to improved operating profit and tax effects from completing procedures related to previously liquidated corporations. As a result, the year-end dividend increased from the initial forecast of 30 yen per share by 10 yen to 40 yen, for an annual dividend of 70 yen per share.

Free cash flow improved by 190.3 billion yen year on year, resulting in positive cash flow of 177.8 billion yen. This partly reflects special factors, such as an increase of around 56.0 billion yen due to changes in IFRS 16 (Leases). However, other factors included an improvement of 75.9 billion yen in adjusted operating profit (loss) and an improvement of about 36.0 billion yen in working capital due to enhanced asset efficiency. In particular, we attribute the improvement in the balance of operating income and expenditure to the gradual emergence of effects from the aforementioned CCC improvement measures.

Operating Cash Flows, Investment Cash Flows, Free Cash Flows



As I have explained, in fiscal 2020, the second year of Mid-term Management Plan 2020, we conducted investments for the future and increased our financial soundness, while achieving results that exceeded our plan for the year. In the coming fiscal year, we will strive to achieve the final year targets of Mid-term Management Plan 2020.

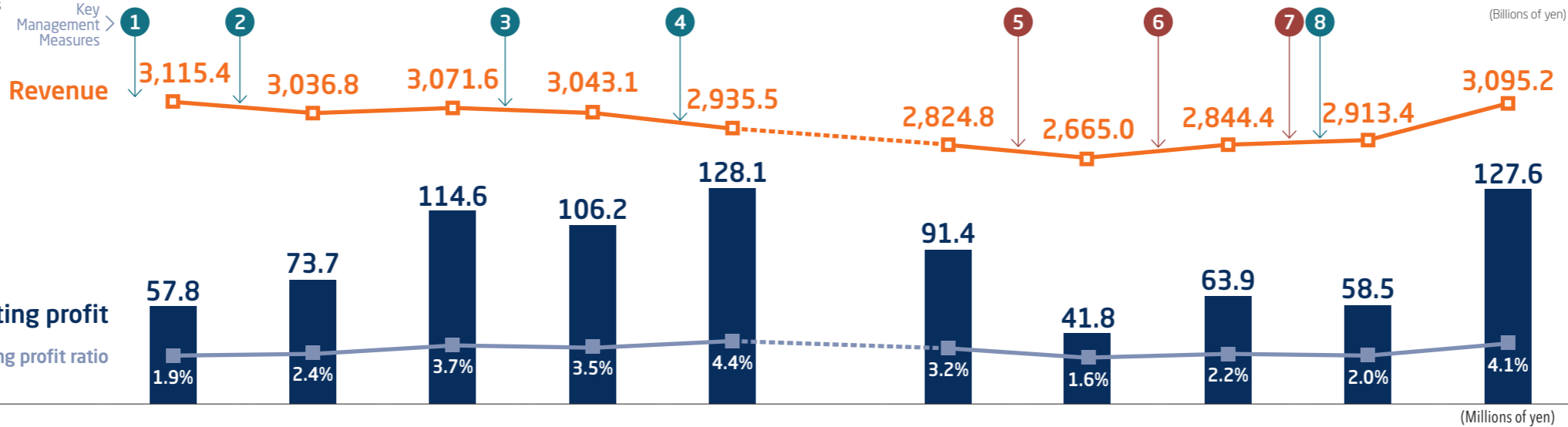
In these times of dramatic change in the business environment, epitomized by the recent COVID-19 pandemic, revenue levels may change rapidly and the cash outlook can easily become unclear. In such a crisis, we need to hold more ready cash on hand than in ordinary times to counter the risk of a deterioration in liquidity, thereby minimizing risk to management. We will ensure sufficient liquidity on hand by steadily procuring funds and liquidating assets. Our overseas subsidiaries

experienced the impact of foreign exchange risk and foreign currency restrictions during the Asian financial crisis, and we have therefore secured borrowing facilities from banks in Japan and overseas to provide greater leeway than usual in preparation for a worst-case scenario.

In other developments, a long-standing issue over restrictions on transactions of the Company's common stock in the United States (an order received under Section 12(j) of the U.S. Securities Exchange Act of 1934) was resolved. The restriction was lifted in June 2020. We will now communicate more actively with stakeholders in the U.S. investment market, aiming to further increase our corporate value. We will continue to realize long-term value creation and increases in corporate value through appropriate capital allocation going forward.

Performance Highlights

NEC Corporation and Consolidated Subsidiaries
For the fiscal years ended or year-end as of March 31
* Figures for adjusted operating profit and adjusted net profit
have not been audited by the accounting auditors



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	JGAAP					IFRS				
Revenue	¥3,115,424	¥3,036,836	¥3,071,609	¥3,043,114	¥2,935,517	¥2,824,833	¥2,665,035	¥2,844,447	¥2,913,446	¥3,095,234
International revenue	479,349	481,492	483,118	569,172	586,844	603,135	570,967	740,179	689,101	751,974
International revenue ratio (%)	15.4	15.9	15.7	18.7	20.0	21.4	21.4	26.0	23.7	24.3
Operating profit	57,820	73,742	114,647	106,193	128,084	91,418	41,838	63,850	57,780	127,609
Adjusted operating profit	-	-	-	-	-	-	-	72,530	69,927	145,798
Net profit (loss) attributable to owners of the parent	(12,518)	(110,267)	30,434	33,742	57,302	75,923	27,310	45,870	39,675	99,967
Adjusted net profit	-	-	-	-	-	-	-	50,395	46,961	111,210
Cash flows from operating activities	33,660	83,857	143,748	94,124	87,917	97,829	92,525	129,981	64,235	261,863
Cash flows from investing activities	(146,244)	(49,706)	(101,742)	(38,893)	(47,510)	(32,202)	6,425	(14,231)	(76,675)	(84,023)
Free cash flows	(112,584)	34,151	42,006	55,231	40,407	65,627	98,950	115,750	(12,440)	177,840
R&D expenses	176,514	161,968	151,676	142,723	134,205	123,602	109,319	108,093	108,100	109,787
Capital expenditures (property, plant and equipment)	52,850	41,980	45,614	98,708	37,425	36,347	31,472	45,391	62,688	67,425
Depreciation (property, plant and equipment)	62,097	53,306	51,167	45,167	48,518	50,493	49,853	63,831	64,405	123,350
Per share data (in yen):										
Net profit (loss) attributable to owners of the parent	(4.82)	(42.44)	11.71	12.99	22.05	29.22	10.51	176.54*	154.75*	385.02*
Cash dividends	0.00	0.00	4.00	4.00	4.00	6.00	6.00	60.00*	40.00*	70.00*
Dividend payout ratio	-	-	34	31	18	21	57	34	26	18
Total assets	2,628,931	2,557,570	2,580,966	2,505,329	2,620,652	2,528,904	2,683,996	2,821,351	2,963,222	3,123,254
Owner's equity	757,054	656,956	710,666	695,949	823,650	769,827	854,264	880,833	858,939	910,674
Return on equity (%)	-	-	4.5	4.8	7.5	9.5	3.4	5.3	4.6	11.3
Owner's equity ratio (%)	28.8	25.7	27.5	27.8	31.4	30.4	31.8	31.2	29.1	29.2
Interest-bearing debt	675,798	692,734	603,451	575,151	520,778	479,523	466,946	520,743	552,519	675,419
Debt-equity ratio (times)	0.89	1.05	0.85	0.83	0.63	0.62	0.55	0.59	0.64	0.74
Number of consolidated subsidiaries	283	265	270	258	232	217	238	303	327	300
Number of employees	115,840	109,102	102,375	100,914	98,882	98,726	107,729	109,390	110,595	112,638
CO ₂ emissions reduction by providing IT solutions (thousand tons)	2,120	2,310	2,980	2,290	2,540	2,620	2,630	4,220	5,300	4,750
Improvement in energy efficiency of products (%)	53	66	64	75	91	97	17	35	74	71

Key Management Measures

- Measures to optimize business portfolio
- Measures to grow business and strengthen financial foundation

Fiscal year ended March 31, 2011

- Made NEC Electronics Corporation, a semiconductor business, currently Renesas Electronics Corporation, into an equity-method affiliate

Fiscal year ended March 31, 2012

- Made the consumer PC business into an equity-method affiliate

Fiscal year ended March 31, 2013

- Acquired the business support system business of U.S.-based Convergys Corporation

Fiscal year ended March 31, 2014

- Divested all of NEC's stakes in NEC Mobiling, Ltd., currently MX Mobiling Co., Ltd., a mobile phone sales business

Fiscal year ended March 31, 2015

- Divested all of NEC's stakes in NEC BIGLOBE, Ltd., currently BIGLOBE Inc., an internet service provider in March, 2014

Fiscal year ended March 31, 2016

- Transferred administrative staff functions and shared IT assets from NEC to NEC Management Partner, Ltd. (Business Process Optimization Project)

Fiscal year ended March 31, 2017

- Consolidated Japan Aviation Electronics Industry, Limited

Fiscal year ended March 31, 2018

- Acquired U.K. company Northgate Public Services Limited

Fiscal year ended March 31, 2019

- Established dotData, Inc. in the U.S.
- Established NEC X, Inc. in the U.S.
- Acquired Danish company KMD Holding ApS
- Sale of shares in electrode business

Fiscal year ended March 31, 2020 (The fiscal year under review)

- Sold shares of Nippon Avionics Co., Ltd.
- Decided to convert NEC Display Solutions Ltd. into a joint venture

Notes: 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. Owner's equity = Equity attributable to owners of the parent
3. The debt-equity ratio is calculated by dividing interest-bearing debt by owner's equity.
4. Improvement in energy efficiency of products is based on a comparison with the fiscal year ended March 31, 2006.
* The amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.

At a Glance

NEC Corporation and Consolidated Subsidiaries
Revenue, adjusted operating profit (loss), adjusted net income, free cash flow, and composition of revenue are financial results for the fiscal year ended March 31, 2020 (IFRS).

(Note) Figures for revenue, adjusted operating profit (loss), and composition of revenue for the fiscal year ended March 31, 2020 are restated to conform with the new segments, which have not been audited by the accounting auditors.

Revenue

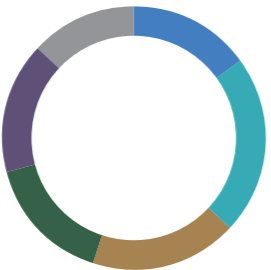
Composition of revenue

Adjusted operating profit

Adjusted net profit

Free cash flows

3,095.2
billion yen



- Public Solutions Business 15%
- Public Infrastructure Business 22%
- Enterprise Business 18%
- Network Services Business 16%
- Global Business 16%
- Others 13%

145.8
billion yen

111.2
billion yen

177.8
billion yen

Public Solutions Business

Revenue
478.4 billion yen

Adjusted operating profit
34.2 billion yen

Major Products and Services

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

Examples of Major Customers and Main Solutions

- Public: Firefighting Command, Firefighting Emergency Radio Systems, Disaster Prevention, Traffic Control, Railroad Communication, Local Government, Energy Management Systems
- Healthcare: Electric Medical Record, Regional Healthcare Information Network
- Regional Industries: Backbone Service

Major Consolidated Subsidiaries

- NEC Nexsolutions, Ltd.

Public Infrastructure Business

Revenue
678.8 billion yen

Adjusted operating profit
64.2 billion yen

Major Products and Services

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

Examples of 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, Infrastructure Surveillance/Energy Management
- Media: TV Program Production/News Production/Transmission, Digital TV Transmitters

Major Consolidated Subsidiaries

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

Enterprise Business

Revenue
549.8 billion yen

Adjusted operating profit
52.1 billion yen

Major Products and Services

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

Examples of Major Customers and Main Solutions

- Manufacturing: Global SCM, Product Lifecycle 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
482.7 billion yen

Adjusted operating profit
30.6 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
493.1 billion yen

Adjusted operating profit (loss)
-3.2 billion yen

Major Products and Services

- Safer Cities: (such as Public Safety, Digital Government)
- Software Services for Service Providers: (OSS/BSS)
- Network Infrastructure: Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Wireless Backhaul
- System Devices: Displays, Projectors
- Energy Storage Solutions

Major Consolidated Subsidiaries

- NEC Display Solutions, Ltd.
- OCC Corporation
- NEC Energy Solutions, Inc.
- Netcracker Technology Corporation
- Northgate Public Services Limited
- KMD Holding ApS

Others

Revenue
412.6 billion yen

Adjusted operating profit
24.4 billion yen

Major Products and Services

- Safer Cities: (such as Public Safety, Digital Government)
- Software Services for Service Providers: (OSS/BSS)
- Network Infrastructure: Submarine Systems (Submarine Cable Systems, Ocean Observation Systems), Wireless Backhaul
- System Devices: Displays, Projectors
- Energy Storage Solutions

Major Consolidated Subsidiaries

- ABeam Consulting Ltd.
- NEC Platforms, Ltd.
- NEC Fielding, Ltd.
- NEC Embedded Products, Ltd.

Review of Operations

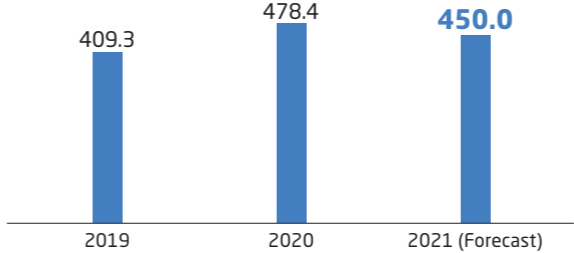
Public Solutions Business

Expand Business Domain for Solving Social Issues

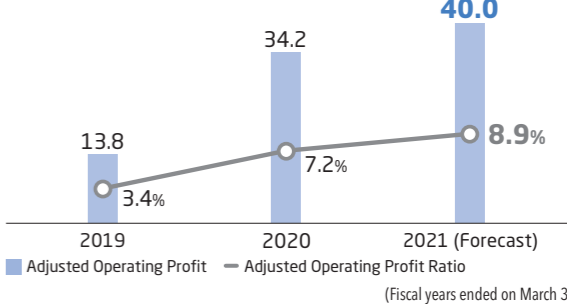
Chikara Nakamata
Executive Vice President



Revenue
(Billions of yen)



Adjusted Operating Profit/Operating Profit Ratio
(Billions of yen)



Solving Social Issues by Providing Value beyond the Conventional Scope of an ICT Vendor

Japan is facing social issues arising from declining birthrates and an aging population, increasing social security costs, a declining work force, and a slump in consumption. NEC's task is to grasp these issues and address them firmly, then contribute to realizing a sustainable society. Using our accumulated experience, AI and biometrics technologies, and co-creation, we will provide value beyond the conventional scope of an ICT vendor. In this way, we will contribute to realizing sustainable growth and achieving the companywide profit targets.

Business Environment and New Market Opportunities

Business model reforms driven by AI and IoT (DX) are developing on a scale that far exceeds the traditional scope of ICT vendors. Meanwhile, the traditional ICT market is contracting, and we need to expand our business into new domains inspired by social issues for our sustainable growth.

In Japan, the COVID-19 pandemic has exposed and drawn attention to issues with the systems of national and local governments, as well as medical institutions and small- to medium-sized enterprises (SMEs), as well as delays in their digitalization. We view this as an opportunity for us to contribute to the development of safe, secure, fair and efficient social infrastructure using advanced ICT such as AI, IoT, and biometrics.

Providing Social Infrastructure to Realize Advanced Local Communities

Countermeasures against COVID-19 have helped to increase awareness of the concepts of remote, touchless, and resilience in every area of society. We will also accelerate our response to DX in the public business domain.

Contributing to the Realization of Digital Government

In order to contribute to the realization of digital government in Japan, we will accelerate the creation of services that offer users true convenience, using national infrastructure such as the system supporting the Social Security and Tax Number System ("My Number") and advanced technologies such as AI and biometrics.

Digital Healthcare Using ICT

In the area of healthcare, we will use advanced ICT to contribute to solutions for critical issues, such as ensuring safety and security on the frontlines of medical care and overcoming labor shortages. These technologies include image diagnostic support using AI and remote/touchless solutions that help to prevent infections from occurring and spreading inside hospitals. In this way, we aim to realize a healthy, long-lived society where people can live vibrant lives.

Helping to Create Resilient Cities

To address diseases such as COVID-19 as well as natural disasters that occur each year, we will contribute to the creation of resilient cities by utilizing advanced technologies in our Social Infrastructure Business, which includes disaster prevention, fire service, transportation, and electricity.

Toward Realizing a Safe and Secure Olympic and Paralympic Games Tokyo 2020

For the Olympic and Paralympic Games Tokyo 2020 (Tokyo 2020 Games), we aim to make sure that the event runs safely, securely, and smoothly by providing advanced public safety products that utilize biometrics and behavior detection and analysis, along with private network radio systems.

The Tokyo 2020 Games have been postponed for one year due to the impact of COVID-19, and providing a safe and secure environment is the highest priority for running the event. Given the situation, NEC will continue to utilize advanced technologies to ensure that the Tokyo 2020 Games are safe, secure, and successful.

* NEC is a Tokyo 2020 Games Gold Partner (Specialist Public Safety Equipment & Software, Network Equipment, Private Network Radio Systems)

STRENGTHS

- Strong track record, high credibility, advanced technologies, and high market share in Japan for systems and cyber security in governmental organizations, local governments, and power companies.
- Ability to propose customers' future concepts based on "domain knowledge," specifically operational expertise and deep knowledge of data through longtime deals.
- Provision of vertically integrated solutions for full-layer IT with the "NEC the WISE" lineup of AI technologies, "Bio-IDiom" biometrics, IT, networks, and sensing technologies including security.

OPPORTUNITIES

- Acceleration of digitalization in government services and the medical field due to lifestyle and business style changes caused by the COVID-19 pandemic.
- Even greater expectation for safe and secure running of the Tokyo 2020 Games, despite their postponement due to the COVID-19 pandemic.
- System generation change and innovation in the Social Infrastructure Business (electric power, roads, etc.).
- Expansion in demand for strengthening of systems and monitoring services for cyber security.

WEAKNESSES

- There is a high proportion of large-scale projects in Japan, with fewer projects that provide regular income streams, such as in services, meaning that demand volatility can have a significant impact.
➤ **Countermeasures:** Transform the business model to focus on capturing service projects, thereby raising the ratio of regular income projects.
- Additional costs result from the complexity of project management for large-scale projects and the issues inherent in system development using cutting-edge technology. These costs can have an impact on business results.
➤ **Countermeasures:** Further accelerate measures such as enhancement of risk management and visualization and standardization of development. Minimize additional costs.

THREATS

- Intensifying competition for orders, increasing number of projects with difficult requirements in cost and delivery.
➤ **Countermeasures:** Rigorously differentiate products in terms of functionality and performance while constantly improving cost competitiveness and quality.
- Possibility that digitalization may prompt an increase in market entries from other companies and other industries.
➤ **Countermeasures:** Execute business strategies that anticipate changes in existing business fields.
- Deterioration of the economic environment due to the COVID-19 pandemic and curbs on ICT investment due to downturn in customers' performance.
➤ **Countermeasures:** Focus on developing and providing solutions needed for the new normal.

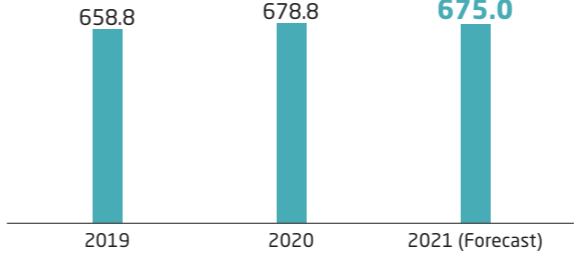
Public Infrastructure Business

Supporting Key Public Infrastructure and Continuing to Advance toward the Future

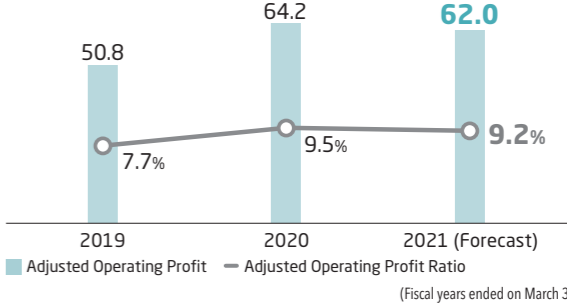
Noritaka Taguma
Executive Vice President



Revenue
(Billions of yen)



Adjusted Operating Profit/Operating Profit Ratio
(Billions of yen)



Contributing to Achievement of the Mid-term Management Plan 2020 by Stable Earnings

In the Public Infrastructure Business Unit, we support the stable running of mission critical operations for governments, governmental agencies including national security, and broadcasters using ICT. By supporting these key national infrastructure entities, we will maintain stable earnings. However, as our businesses have an inherent tendency to take up the challenge of world-leading or industry-leading technologies, unprofitable projects can result. To minimize this possibility, we will further strengthen the risk evaluation process in fiscal 2021 to ensure stable profits, and contribute to achieving our companywide targets under the Mid-term Management Plan 2020.

Continuous Investment to Contribute to Realizing a Sustainable Society

Continuous technology development is essential to the ongoing provision of new value that supports key national infrastructure. The technologies that we have cultivated include biometric authentication – developed in the law enforcement and justice fields and offering world-leading accuracy; cutting-edge cyber-security technologies – developed through our efforts in the field of national security; and space-related technologies – developed for use in carrying out missions in uncharted places in the harsh environment of space (used in Hayabusa 2). These Public Infrastructure Business Unit technologies are currently applied in projects in various fields, representing NEC. We will cooperate

with the Research and Development Unit to promote technology development that secures a competitive advantage in technology for the future, and contributes to the realization of a sustainable society by supporting key social infrastructure.

Towards Mid- to Long-term Business Growth

The Japanese Government's Digital Government Action Plan is a sign of accelerating transformation in government agencies, which are our customers, as well as the broadcasting and media sectors. In addition to digitalization, we will also venture into the development of systems related to society overall, helping to increase productivity of Japan by proposing future concepts for customers' operations. Our strengths in this area are the customer expertise, various technologies, and assets that we have accumulated over many years. With these strengths, we have been providing digital education materials through the NEC Education Cloud, digitalizing year-end tax adjustment procedures, and so on. Looking ahead, we will continue to try out new ideas and challenges as we work to transform the structure of social systems and create new social value with our customers.

Finally, in April 2020 we announced that we had received an order for an Earth observation satellite system for Vietnam. This is also a practical example of our materiality, NEC Corporation's nine priority management themes, one of which is "Environmental action with a particular focus on climate change." We will continue to provide social value through practical implementation of our materiality based on the SDGs.

STRENGTHS

- Strong track record, high credibility and advanced technologies for systems and cyber security in governmental organizations and broadcasters.
- Ability to propose solutions to customers' issues and future concepts based on expertise and knowledge of data through longtime deals.
- Provision of vertically integrated solutions with the "NEC the WISE" lineup of AI technologies, "Bio-IDiom" biometrics, IT and networks and sensing technologies including security.

WEAKNESSES

- Susceptibility to volatility of demand due to fewer projects that provide regular income.
➤ Countermeasures: Attempt to promote recurring and subscription-based businesses.
- Need for continuous investment to develop advanced technology and maintain quality.
➤ Countermeasures: Increase ability to recover long-term investments.

OPPORTUNITIES

- Expansion in ICT demand due to the Digital Government Action Plan, such as the Government Cloud and Giga School concepts.
- System generation change in the Social Infrastructure Business (broadcasting, law enforcement, etc.).
- Expansion in demand for strengthening of systems and monitoring services for cyber security countermeasures.

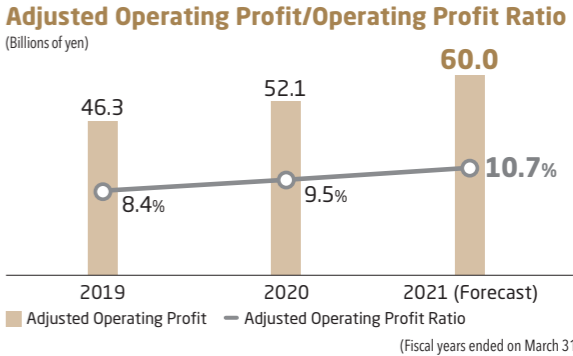
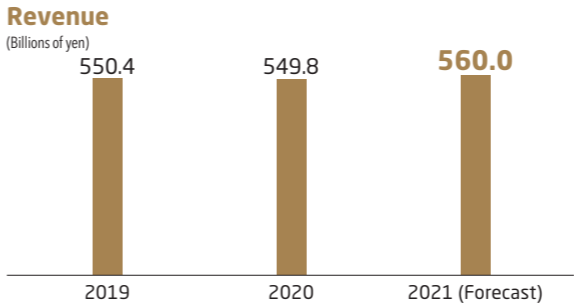
THREATS

- New business trend represented by IP broadcasting and transformation of the viewer rating and advertising models.
➤ Countermeasures: Regularly revise business plans looking 5 and 10 years ahead.
- Contraction of the existing ICT market.
➤ Countermeasures: Acquire strengths through investment in new themes and expand new business domains by proposing digital transformation to customers.

Enterprise Business

Accelerating Digital Transformation through NEC Value Chain Innovation

Kazuhiro Sakai
Executive Vice President



Solving Social Issues with VCI

Society and corporations face various kinds of social issues, such as food waste, labor shortages, changes in the consumption environment, and diversifying threats in both real and cyber-space, not to mention adapting to the new normal that has been brought on by the COVID-19 pandemic. To solve these social issues, we will utilize cutting-edge digital technologies and promote co-creation with customers in order to connect people, goods, and processes, reaching across the boundaries between enterprises and industries to provide NEC Value Chain Innovation (VCI) that will create new value.

Expanding Offerings to Convert to a Service-Type Business Model

The digital shift in the Japanese IT market is accelerating, and we expect the imminent arrival of an era where digital technology is used by the majority of businesses. Looking ahead to this change, we will respond quickly by establishing offerings for customers of all business fields. Then, we will strengthen the value provided by VCI through co-creation.

We also recognize that service-type businesses such as subscription businesses are going to become mainstream, and customer demand is increasing. We will allocate resources to SE, including service staff, and promote the development of service provision-type human resources, converting our business model to handle service provision-type business and transforming our organization into one that can support new business structures.

Capturing Demand in the New Normal and Accelerating VCI Business Development

Since the formulation of the Mid-term Management Plan 2020, we have steadily implemented initiatives to maintain our existing business domains, while concentrating investment in transformation for growth, conducting cost structure reforms, and setting up for the VCI business. These initiatives have produced steady growth in revenue and operating profit, and our business structure has also been transformed in line with the digital shift of the market.

In fiscal 2021, we will continue to invest in expanding offerings needed for accelerating proposal- and co-creation-type businesses for relevant markets, as we move to capture new demand for the new normal, such as remote, online, touchless, automation, and transparency/trust. In addition, by strengthening our coordination with the companywide DX strategy, we will increase the speed of our market response and bolster our competitiveness.

Moreover, in our existing business domains, we will strive to strengthen management and secure profits, while shifting human resources into digital domains, while keeping an eye on market changes.

We will respond to new demand from society and customers in the new normal, with a primary focus on VCI, and move forward together with customers and business partners, combining our capabilities with theirs as a company that solves social issues.

STRENGTHS

- Reliability and achievements cultivated over many years of providing IT services to domestic clients in the manufacturing, retail and service, and financial industries.
- Integration of advanced technologies and business to create customer value through modernization and VCI.

WEAKNESSES

- Need to supplement know-how assets to swiftly realize solutions for social issues.
➤ **Countermeasures:** Strengthen co-creation with external partners across company and industry boundaries.
- Need to secure digitally capable human resources to respond to new domains.
➤ **Countermeasures:** Strengthen human resource shift and recruitment in response to market changes.

OPPORTUNITIES

- ICT expected to play a wider role in solving various social issues, such as food waste and labor shortages.
- Expansion in new business opportunities arising from changes in workstyles and lifestyles.

THREATS

- Change in customers' fields of investment due to acceleration of digitalization.
➤ **Countermeasures:** Create new business models and strengthen DX support capabilities.
- Intensifying competition due to market entry of companies from other industries and internationally, etc.
➤ **Countermeasures:** Increase market response speed and value provision by strengthening internal collaboration and co-creation with external partners.

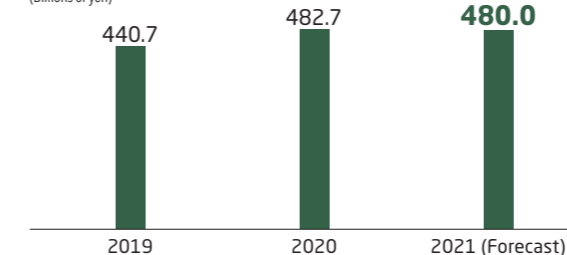
Network Services Business

Accelerating Digital Transformation by Providing "Connection Value"

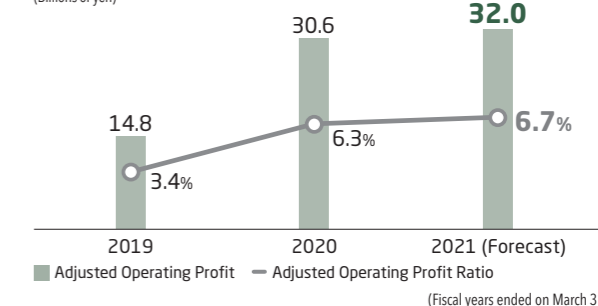
Atsuo Kawamura
Executive Vice President



Revenue
(Billions of yen)



Adjusted Operating Profit/Operating Profit Ratio
(Billions of yen)



Initiatives of the Network Services Business in the Digitalization Era

The digital shift in workstyles and lifestyles is advancing rapidly, driven by the arrival of the 5G/IoT era. The industrial world is also stepping up the pace of digital transformation (DX) aimed at using AI, IoT and cloud computing to streamline management and capture new business. In this environment, connecting people, things and contexts with data securely and flexibly is more important than ever, and demand for this is growing.

NEC will lead DX by maximizing the "connection value" it has cultivated through its telecommunications-related businesses since its foundation. By providing the ability to connect widely throughout society, we will contribute to the realization of new business creation, a safe and secure society, and better lifestyles.

Further Development of the Network Services Business

For 5G and beyond, networks will need to be flexible enough to handle a diverse range of services and multiple frequencies. The key to achieving this is shifting to open and virtualized systems. We are actively promoting the provision of equipment capable of supporting this shift, and in July 2019 we started shipping 5G base stations for NTT DOCOMO INC. which are compliant with O-RAN front-haul interface specifications. We are also accumulating a track record in the domestic market; for example, by supporting the construction of Rakuten Mobile's fully virtualized cloud native mobile network by providing 5G radio units, the 5G core network and BSS/OSS.

Meanwhile, in international markets we face the challenge of having a smaller footprint than that of mega vendors. In addition, we have the challenge of not only supplying network equipment, but strengthening the creation of value through the use of networks.

Providing Innovative Forms of Connection to Support DX

All of society is currently undergoing a huge digital shift. We are promoting global development, aiming to build a globally competitive eco system centered on the shift to open systems. In the 5G domain, we will provide integrated telecommunications infrastructure such as mobile systems, optical systems, and network management systems. In addition, as security becomes more important, NEC will promote secure networks that use its original security technologies to enable management of everything from supply chains to network equipment.

As one of these initiatives, in June 2020 NEC and NTT Corporation announced an alliance for joint research and development of advanced technologies and products, primarily optical and wireless products. Going forward, the two companies will contribute to enhancing the industrial competitiveness of Japan and further ensuring safe and reliable communication infrastructure, playing leading roles in working with numerous communication equipment vendors. Furthermore, the two companies will jointly develop cutting-edge technologies and globally competitive products that originate in Japan by utilizing both companies' strengths. The collaboration will also encompass the formation of an optimal sales framework that will facilitate the roll out of such technologies and products to the global market.

Meanwhile, for industrial customers we will provide a wide range of solutions, from management of a vast amount of data and IDs to solutions that change data into value by linking the real world with the cyber world. Moreover, through co-creation activities with diverse customers we will create new businesses and services that utilize local 5G, reforming industrial processes through automation and autonomization, and a shift to remote operations, thereby helping customers to optimize their business processes.

Through these initiatives, we will provide connections that support DX and contribute to social transformation.

STRENGTHS

- One of the best track records in Japan and accumulated expertise in delivering networks and IT systems for telecom carriers and companies.
- Large-scale mission critical system construction capabilities cultivated in projects for telecom carriers and core technologies in the network domain, such as 5G.
- Promotion of the shift to open systems such as O-RAN and promotion of cloud native networks using the network virtualization footprint.
- Securing safety through end-to-end security, including secure development and supply chains.

WEAKNESSES

- Insufficient product variation in building 5G product portfolio.
- Low price competitiveness in the commodity domain.
- Insufficient assets in business development for industry, such as industrial devices for construction machinery, devices, and business operation apps.
- **Countermeasures:** Expand assets through partnerships with customers and vendors (for all three of the above weaknesses)
- Insufficient global track record/footprint
- **Countermeasures:** Shift to open systems, and creation of products that can compete globally based on eco systems.

OPPORTUNITIES

- Diversification and sophistication of needs for networks due to 5G, increase in telecom carriers seeking to shift to open systems.
- Increased expectations of domestic vendors for 5G as a core infrastructure, earlier 5G investment by telecom carriers supported by government policy.
- Expansion of business opportunities due to connection of people, things and contexts with digital transformation at companies, including operational reforms.
- Growth in demand for network infrastructure associated with the increase in services delivered via networks in the new normal.

THREATS

- Resistance to shift to open systems among global mega vendors.
- **Countermeasures:** Expand market for shift to open systems and develop track record in this market in partnership with a leading carrier.
- Delay in start of local 5G market, market entry by competing mega vendors and new vendors.
- **Countermeasures:** Drive the market by creating best-use cases among existing customer base and developing them laterally to move to the local 5G utilization phase.

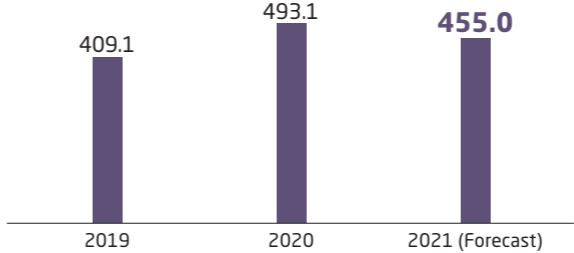
Global Business

Transformation into a True Global Company—Business Model Transformation to Realize Profitable Growth

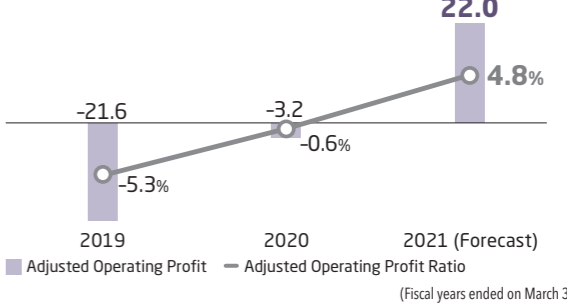
Akihiko Kumagai
Senior Executive Vice President



Revenue
(Billions of yen)



Adjusted Operating Profit/Operating Profit Ratio
(Billions of yen)



Our Vision for the Medium to Long Term

Realizing NEC Safer Cities based on the safety business is one of the growth drivers for the Global Business. While technological advances have made life more convenient, there is growing urgency to respond to global issues such as labor shortages, rapid urbanization, the risk of increased terrorism due to geopolitical factors, and the risk of pandemics such as COVID-19. In addition to the area of public safety, where NEC's biometric authentication technologies have been used to provide safety and security, we will also expand our business in the field of digital government, where we aim to achieve fairness and efficiency by using asset management and payment platforms provided by our subsidiaries Northgate Public Services Limited in the U.K. and KMD Holding ApS in Denmark.

Another growth driver is the business for service providers such as telecom carriers. Investment in 5G is going to accelerate worldwide going forward. NEC will leverage its track record as a leader in adopting this new technology in Japan. At the same time, NEC will expand its businesses by becoming a market disruptor that provides customers with new value, using its accumulated virtualization technology and strengths in open eco systems from collaboration with partners as a point of differentiation. Furthermore, with the shift to 5G technology in networks, investment will expand in the software and services fields, such as customer, fee, and operation management systems to increase their operational efficiency, flexibility and rapid response to new services based on digital transformation (DX). In addition to the strong competitive advantages of customer, fee, and operational management solutions offered by Netcracker Technology Corporation, we will offer new solutions that incorporate advanced virtualization technologies to meet the

needs of the new era. Furthermore, we will contribute to bolstering networks by providing solutions such as submarine cables to handle the expanding volume of data traffic.

Toward Achieving the Mid-term Management Plan 2020

To realize growth in the Global Business, our No. 1 priority in fiscal 2020 is achieving profitability in our operations.

By integrating the display business with Sharp Corporation, we aim to achieve growth and improve our earnings structure over the medium to long term. We also set about structural reforms in the energy business. Looking ahead, we aim to improve earnings in the safety business through business model reforms and to realize organic growth in the Service Provider and Submarine Cable Business to achieve our plan for fiscal 2021.

We will combine NEC's assets and leverage its strengths while taking steps to maintain our business scale and strengthen profitability through partnering and business model transformation, particularly in markets that are maturing or expecting to see intensifying increased competition.

In Closing

NEC will contribute to the realization of a safe, secure, fair, and efficient society by applying advanced AI and biometric authentication technologies and strengthening its capabilities through M&As and partnership activities, while always placing top priority on respecting human rights and observing the laws and regulations of each country. Furthermore, we will respond to the paradigm shift in government, economy, society and technology caused by the COVID-19 pandemic by contributing to the new normal of society through our safety and service provider businesses.

STRENGTHS

- Safety Business: World-leading biometric authentication technology and analysis technologies (status recognition, crowd behavior analysis, indication detection, etc.), and software platforms for the digital government field.
- Service Provider Business: Product competitiveness capabilities and advanced position in solutions provided for customer, fee, and operational management systems, along with SI capabilities for constructing open eco systems with partners, and international sales networks and customer base.
- Strong presence and track record in the markets for network equipment (wireless solutions), and submarine cable.

WEAKNESSES

- Limited countries and regions in which we can provide solutions tailored to each customer, such as in the Safety Business.
➤ Countermeasures: Create synergies between organizations and regions, and build efficient business structure.
- Delay in shift of business model from equipment sales to a software and services business.
➤ Countermeasures: Accelerate shift to software and services business utilizing the Group's internal expertise and best practices.

OPPORTUNITIES

- Expansion in demand for safety solutions in countries where there is growing interest in safety and security.
- Increase in demand in the field of software services related to DX for service providers and the field of 5G.
- Increase in investment in the network domain due to increase in data traffic volume.

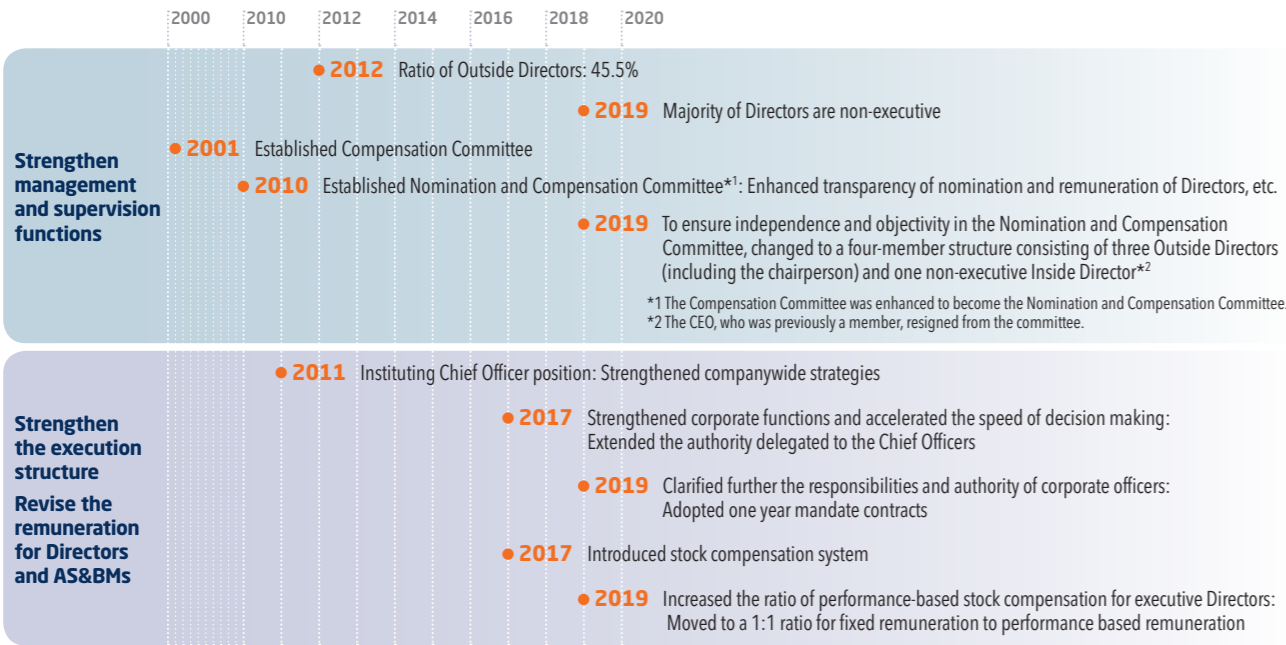
THREATS

- Aggressive approach by emerging-market vendors and others in the field of biometric authentication and Service Provider Business.
➤ Countermeasures: Strengthen continuous solutions to meet customer needs and differentiate through business model reform.
- Intensifying price competition due to maturation of the market in the product business.
➤ Countermeasures: Strengthen earning capability through partnering and business model reform.

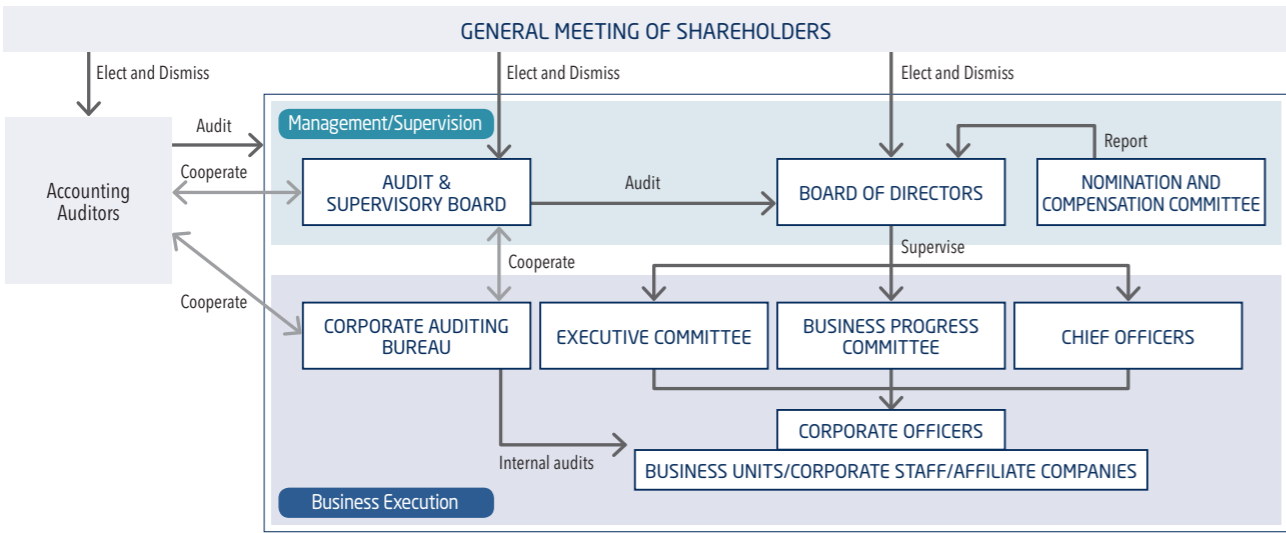
Corporate Governance

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC Corporation 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.

Main Initiatives for Strengthening Corporate Governance



Overview of the Corporate Governance Structure



Management and Supervision

	Purpose, Activities, and Number of Meetings	Members
Board of Directors	<p>The Board of Directors holds regular meetings basically once a month and extraordinary meetings as necessary to determine important matters related to business execution, including business realignment, funding plans and financing and investment, as well as matters concerning business plans.</p> <p>Main Matters Discussed in Fiscal 2020 Number of Meetings: 12</p> <ul style="list-style-type: none">Management Policies<ul style="list-style-type: none">Revision of the NEC WayRevision of the NEC Group Code of ConductReport on sustainability promotion activities (materiality, environment, human rights initiatives, etc.)Management Strategy<ul style="list-style-type: none">Report on status of progress on Mid-term Management Plan 2020Overseas business strategyDigital transformation strategyCross-industry business execution planGovernance<ul style="list-style-type: none">Status of countermeasures for "Priority Risks" and supervision of these measuresRevision of policy regarding cross-shareholdingsEvaluation of effectiveness of the Board of DirectorsHuman Resource Measures<ul style="list-style-type: none">Human resource policy and measuresRevision of remuneration systems for Directors, Audit & Supervisory Board Members (A&SBMs), and corporate officers	<p>11 Directors</p> <p>Chairman of the Board (Chair of the Board of Directors)</p> <p>6 non-executive</p> <p>5 corporate officers</p> <p>Outside Directors (5, including 4 independent)</p> <p>Inside Directors (6)</p>
Nomination and Compensation Committee	<p>The Nomination and Compensation Committee deliberates on (i) nomination for Directors, Representative Directors and Audit & Supervisory Board Members (KANSAYAKU) ("A&SBMs"), the Chairman of the Board, and the President and (ii) the structure and the level of compensation for Directors, Representative Directors and corporate officers taking the business results of NEC and other conditions into account and 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 Fiscal 2020 Number of Meetings: 6</p> <ul style="list-style-type: none">Nomination-related<ul style="list-style-type: none">Nomination for Directors, A&SBMs, and important corporate officersSuccession planning for the PresidentCompensation-related<ul style="list-style-type: none">Revision of remuneration systems for Directors and A&SBMsDecision on bonus payment for DirectorsDecision on additional trust and check on operations (payment status) in the stock compensation system	<p>4 Directors All non-executive</p> <p>Inside Director (1) Nobuhiro Endo</p> <p>Outside Directors (3) Kaoru Seto (Chairperson) Kuniharu Nakamura Masatoshi Ito</p> <p>The chairperson is appointed among Outside Directors</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, 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 2020 Number of Meetings: 16</p> <ul style="list-style-type: none">Creation of audit policy and planDiscussion and drafting of audit reportMatters regarding selection and dismissal of accounting auditorConfirmation of establishment and implementation of internal control systemExchange of opinions with President regarding priority management issuesReceiving oral reports on audits from the accounting auditor and the Corporate Auditing BureauEvaluation of the effectiveness of the A&SB	<p>5 A&SBMs</p> <p>Outside A&SBMs (3, all independent officers)</p> <p>Inside A&SBMs (2)</p>

■ 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 NEC Corporation or another company: only 1 company in addition to the company where the appointee 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 NEC Corporation or another listed company, the concurrent roles within the group companies shall be deemed as roles in one company.

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

For further information, please refer to Integrated Report 2020 page 59, "Directors and Audit & Supervisory Board Members."

Business Execution

	Purpose, Activities, and Number of Meetings	Members
Executive Committee	<p>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.</p> <p>Number of Meetings in Fiscal 2020: 11</p>	Around 20 corporate officers
Business Progress Committee	<p>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 meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting business execution efficiency.</p> <p>Number of Meetings in Fiscal 2020: 12</p>	Corporate officers and general managers of business units, etc.

Continuously Strengthening and Improving the System

NEC Corporation adopts the Company with Audit & Supervisory Board Members (KANSAYAKU) corporate structure to provide a double-check process: the Board of Directors supervises business execution and the A&SB audits the legitimacy and appropriateness of NEC Corporation's decision making or activities. We have established a hybrid structure by utilizing the combination of a corporate officer system, multiple Outside Directors, and the Nomination and Compensation Committee, which we established voluntarily and is comprised of a majority of Outside Directors. In this way, we separate management supervision from business execution while striving to ensure management transparency and soundness.

NEC Corporation believes that its corporate governance is functioning adequately under the current system described above. However, we are focusing our efforts on enhancements and improvements of this system in order to realize more effective corporate governance responding to changes in the business environment.

Evaluation of the Effectiveness of the Board of Directors

NEC Corporation has conducted an analysis and evaluation of the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors since fiscal 2016.

Procedure of the analysis and evaluation

In fiscal 2020, NEC Corporation conducted a questionnaire of all the Directors and A&SBMs, and conducted individual interviews based on the results. In the questionnaire and interviews, participants were asked mainly for their opinions regarding issues concerning the role, function, and operation method of the Board of Directors and points for improvement with a view to the kind of governance structure that NEC Corporation should aim for. In fiscal 2020 particularly, the process focused on asking for opinions based on the results of the effectiveness evaluation undertaken in the previous fiscal year. Participants were asked about the appropriateness of the themes of matters brought for discussion and the sufficiency of discussion based on perspectives that should be emphasized in deliberations in order to ensure high quality, in depth discussion in the Board of Directors with an emphasis on broad, companywide management strategies and governance perspectives. The results of the analysis and evaluation of these opinions were reported at the ordinary Board of Directors meeting in March, which deliberated on plans for improvement going forward.

To improve the analysis and evaluation process in fiscal 2020, NEC Corporation used a third-party institution for setting the questionnaire and interview questions, analyzing the results, and examining improvement measures, and so forth.

Summary of the evaluation result

A summary of the evaluation of the effectiveness of the Board of Directors for fiscal 2020 is as follows:

- In the Board of Directors, it can be evaluated that appropriate supervision of business execution has been conducted with lively discussion regarding decision making on important business execution and other important matters of medium- to long-term management strategy;
- Overall, the Board of Directors had discussions based on important perspectives for fulfilling its responsibility;

- With regard to discussions with an emphasis on broad, companywide management strategies and governance, which was identified as an issue in the effectiveness evaluation for fiscal 2019, there was an overall improvement due to initiatives such as reviewing the setting of themes for discussion; and
- The governance structure has room for improvement in terms of the composition of the Board of Directors and its operation.

Initiatives going forward

NEC Corporation will conduct the following initiatives to make discussions more effective based on the clarified role expected of Outside Directors by results of the effectiveness evaluation:

- To further deepen discussions from a broad, companywide perspective, NEC Corporation will continue to consider how to set discussion themes and to report on medium- to long-term strategy, collateral risk, and group-wide synergies, and governance; and
- Regarding Business-unit reporting, NEC Corporation abolished reports that were uniformly implemented by all Business-units, and set important themes that should be discussed from the perspective of group strategies by the President so that discussions can be conducted based on knowledge of the specialized field of each Outside of Director.

Evaluation of the effectiveness of the Nomination and Compensation Committee

In the questionnaire and individual interviews about the effectiveness of the Board of Directors, NEC Corporation asked for opinions from Directors and A&SBMs to clarify challenges and improvements for the Nomination and Compensation Committee.

In summary, the results show that the composition of the Nomination and Compensation Committee can generally be evaluated as appropriate. However, some responses pointed out improvement in the operation with regard to securing discussion time appropriate to the themes for discussion by the Nomination and Compensation Committee, and using prior explanations to make its meetings more efficient. Going forward, NEC Corporation will work to improve the guidance in accordance with the priorities of the responses pointed out.

Evaluation of the effectiveness of the Audit & Supervisory Board

NEC Corporation conducts an evaluation of the effectiveness of the A&SBMs and the Audit & Supervisory Board every year with a view to improving the effectiveness of A&SBMs' audits. In fiscal 2020, the A&SBMs each conducted a self-evaluation by answering a questionnaire regarding their audit activities and the operation of the Audit & Supervisory Board, then all of the A&SBMs held a discussion based on the results of the questionnaire. The Audit & Supervisory Board will work to make improvements regarding the challenges and initiatives recognized in this evaluation process by reflecting them appropriately in audit plans and so forth.

A summary of the evaluation of the effectiveness of the A&SBMs and the Audit & Supervisory Board, challenges, and the direction of initiatives going forward are as follows:

- At meetings of the Audit & Supervisory Board, the A&SBMs resolve and discuss statutory matters, as well as sharing information through reports on the status of audits by each A&SBM, hearing reports on audit results and activity status from the Accounting Auditor, Internal Auditing Division, and the Internal Control Division, and exchanging opinions with the CEO regarding management issues. Moreover, the Audit & Supervisory Board provides regular audit activity reports to the Board of Directors and management executives including the CEO, as well as communicating items that have been noticed in the audits and recommendations, and exchanging opinions.

- The A&SBMs receive regular reports from the Directors, executive officers, and employees of NEC Corporation and its subsidiaries in accordance with the audit plan, and indicate beforehand items that they particularly wish to have been reported as part of efforts to enhance the exchange of opinions when the reports are received. Furthermore, to help strengthen the structure for irregular and timely reports to the A&SBMs and the Audit & Supervisory Board within the executive side, the A&SBMs and the Audit & Supervisory Board will continue to actively communicate their intentions to the executive side.
- The A&SBMs work to improve and strengthen the quality of audits for the NEC Group overall by holding regular information exchange meetings and training sessions for the A&SBMs of subsidiaries. They will further strengthen connections with the A&SBMs of subsidiaries to help them perform effective and efficient A&SBM audits with limited resources.
- The Audit & Supervisory Board receives regular (and irregular as needed) reports on audit results and so forth from the Accounting Auditor and the Internal Auditing Division. In addition, the A&SBMs, Accounting Auditor, and Internal Auditing Division hold regular meetings to share information and to exchange opinions on set themes such as use of digital technology in audits. The A&SBMs will continue to strengthen their cooperation with the Accounting Auditor and the Internal Auditing Division.

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

For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC Corporation's basic policy on the remuneration for Directors and A&SBMs is to set a level and structure appropriate for a global company which enables us to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. In order to ensure objectiveness and properness of the remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of NEC Corporation.

Remuneration System

Directors	Inside	Executive	1 Basic remuneration (Including 3 – (b) Stock compensation)	2 Bonuses	3 – (a) Stock compensation
		Non-executive	1 Basic remuneration (Including 3 – (b) Stock compensation)		3 – (a) Stock compensation
	Outside		1 Basic remuneration		
A&SBMs	Inside and Outside		1 Basic remuneration		

The ratio of performance based remuneration and other remuneration for Executive Directors is set at 1:1 in order to serve as an incentive to improve performance (Ratio of basic remuneration : Bonuses : Stock compensation = 5:3:2).

The ratio of bonuses and the performance-based stock compensation is calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

1 Basic remuneration

Basic remuneration is fixed, monthly payments that do not exceed the limit* established by resolutions of the General Meetings of Shareholders, and is determined separately for each job title and for Inside Directors and Outside Directors.

However, for some Executive Directors basic remuneration increases or decreases depending on the performance of these individuals in each fiscal year. The Board of Directors determines for each job title the standard amount of basic remuneration and the range of fluctuations.

The performance indicators include non-financial indicators such as practical implementation of the NEC Way and our “materiality” – priority management themes from an ESG perspective.

* The maximum annual remuneration is 580,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

2 Bonuses

Bonuses serve as short-term incentives to achieve performance targets in each fiscal year for the sustained growth of the NEC Group. Executive Directors are eligible to receive these bonuses. The limit for total payments of these bonuses is determined by a resolution of the General Meetings of Shareholders. Individual bonus payments are determined by adjusting the standard bonus amount determined for each job title of Directors to reflect the achievement level of performance targets

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

* The maximum annual bonus payment is 800,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

Bonuses have two components: a Group-wide performance-based component linked to key performance indicators regarding the consolidated business results of the NEC Group during the fiscal year to which the bonus applies, and a business-unit performance-based component linked to the degree to which performance targets are achieved in the businesses overseen by each Director. The ratio between these two components is as follows for each job title.

President	Group-wide performance-based component 100%		
Senior Executive Vice President and Member of the Board	Group-wide performance-based component 60%	Business-unit performance-based component	
		Fiscal year budget portion 20%	Mid-term plan portion 20%
Executive Vice President and Member of the Board	Group-wide performance-based component 40%	Business-unit performance-based component	
		Fiscal year budget portion 30%	Mid-term plan portion 30%
Senior Vice President and Member of the Board	Group-wide performance-based component 30%	Business-unit performance-based component	
		Fiscal year budget portion 35%	Mid-term plan portion 35%

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

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

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

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

For Directors who oversee operations other than business units, indicators for the business-unit performance-based component are the NEC Group's consolidated revenue, operating income, free cash flows, etc.

3 Stock compensation

(a) The performance-based stock compensation serves as a medium- to long-term incentive to further raise Directors' awareness for contribution to improvement in NEC Group's medium- and long-term performance and its corporate value, by clarifying the link between remuneration of Directors and NEC's performance as well as value of NEC shares.

Indicators for performance-based stock compensation are the NEC Group's consolidated revenue, adjusted operating profit*¹ and adjusted net profit attributable to owners of the parent*² in the applicable fiscal year. The indicators were selected by considering their importance concerning the NEC Group's medium - to long-term management strategies as well as for reinforcing the commitment and activities of Directors to contribute to maximizing corporate value from a medium- to long-term perspective and giving back to shareholders.

*¹ Adjusted operating profit is an indicator for measuring the underlying profitability in order to clarify the contribution of acquired companies to NEC's overall earnings. It is calculated by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees, etc.) from operating profit (loss).

*² Adjusted net profit attributable to owners of the parent is an indicator for measuring the underlying profitability attributable to owners of the parent. It is calculated by deducting adjustment items of operating profit (loss), and corresponding amount of tax and noncontrolling interests from net profit (loss) attributable to owners of the parent.

The ratio of performance-based payment rate for each indicator and the targets and results for each indicator in fiscal 2020 are as follows.

Granting of shares for performance-based stock compensation for fiscal 2020 is scheduled for July 2022.

	Consolidated revenue	Adjusted operating profit	Adjusted net profit
Ratio of performance-based payment rate	30%	40%	30%
Target achievement rate	104.9%	116.6%	150.2%
Target (budget)	2,950.0 billion yen	125.0 billion yen	74.0 billion yen
Results	3,095.2 billion yen	145.8 billion yen	111.2 billion yen

The number of shares granted for the compensation is set between 0% and 100% of the standard number of shares determined for job title, based on the achievement level of performance targets. (b) The fixed stock compensation further clarifies the link between remuneration for Directors and the value of NEC Corporation's shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourages Directors to operate the business with a higher consciousness of NEC Corporation's share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

In these stock compensation systems, the shares are granted after three years from the beginning of the applicable period.

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

Remuneration for A&SBMs

Remuneration for A&SBMs is only basic remuneration and does not include bonuses linked to the business results because the responsibility of A&SBMs is to audit execution of Directors' duties. Basic remuneration is a fixed monthly payment determined based on whether the recipient is a full-time A&SBM or not, to the extent of the maximum amount approved at the General Meeting of Shareholders.

* The annual remuneration is 144,000,000 yen (approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019)

Amounts of Remuneration for Fiscal 2020

	Total amount by type			Total amount	Headcount
	Basic remuneration	Bonuses	Stock compensation		
Inside Directors	342	217	196	756	7
Inside A&SBMs	60	–	–	60	2
Outside Directors and A&SBMs	96	–	–	96	11

(Millions of yen)

Among the above recipients, the following have a total remuneration amount of 100 million yen or higher:
Nobuhiro Endo: Total remuneration amount: 100 million yen (basic remuneration: 92 million yen, stock compensation: 8 million yen)
Takashi Niino: Total remuneration amount: 159 million yen (basic remuneration: 80 million yen, bonus: 71 million yen, stock compensation: 8 million yen)

Notes: 1. The number of Inside Directors includes one Director who retired at the close of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019. Moreover, six of the above number were eligible for stock-based compensation.
2. The numbers of Outside Directors and A&SBMs include two Outside Directors and one Outside A&SBM who retired at the close of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.
3. The above amounts of stock compensation are the amounts recorded as expenses during the fiscal year under review. The amounts recorded as expenses in relation to the above stock compensation are the total of the amounts recorded as expenses for the performance-based stock compensation introduced at the 179th Ordinary General Meeting of Shareholders held on June 22, 2017, the current performance-based stock compensation introduced at the 179th Ordinary General Meeting of Shareholders held on June 22, 2017 and partially revised at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019, and the current fixed stock compensation introduced at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.
4. The amount of stock compensation of people whose above total amount of remuneration is 100 million yen or higher is the amount of the performance-based stock compensation introduced at the 179th Ordinary General Meeting of Shareholders, held on June 22, 2017, for a target period of two fiscal years from fiscal 2018. The shares were granted during the fiscal year under review (including an amount paid in cash after selling a certain portion of the shares on the market to provide funds for taxes payable upon grant of the shares).

Guidelines on Officer Ownership of NEC Corporation Shares

NEC Corporation 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.

For further details on the corporate governance of NEC Corporation, please visit the following URL:

<https://www.nec.com/en/global/about/governance.html>

Uncompromising Integrity and Respect for Human Rights

NEC subscribes to “Uncompromising Integrity and Respect for Human Rights” as one of the Principles of the NEC Way. Furthermore, NEC aims to establish compliance within its corporate culture by ensuring that each officer and employee treats compliance as his or her own responsibility and practices conduct in accordance with the NEC Group Code of Conduct.

In addition, our risk management activities include properly understanding risks that have an impact on our business and taking preventive measures efficiently and effectively, including against compliance violations.

In fiscal 2020, we selected the four risks listed below as “Priority Risks” and devised measures to address them. For fiscal 2021, we identified the following risks: “risks regarding inadequate accounting processes at subsidiaries abroad,” “risks regarding management of confidential information,” “risks regarding privacy infringement related to new technologies” and “risks regarding harassment.” We are taking countermeasures against them.

Priority Risks in FY2020

- 1 Risks regarding labor management
- 2 Risks regarding human rights issues arising from new technology
- 3 Risks regarding bribery
- 4 Risks regarding information security

Risks Regarding Labor Management

At NEC, the workers union and management cooperate to implement flexible working styles, prevent overwork, and promote time off from work, while observing the relevant legal systems in each country.

In April 2019, NEC Corporation and affiliated companies in Japan renewed their work hours management systems and took other steps to properly grasp work hours and rigorously manage overtime

work in line with the revision of the Labor Standards Act. We have put systems in place to enable early identification of potential risks and implementation of countermeasures as needed to prevent any incidents arising due to working hours.

For further information, please refer to Sustainability Report 2020 “Creating a Diverse Work Style Environment.”

Risks Regarding Human Rights Issues Arising from New Technology

Since the formulation of the Companywide principles, we have promoted initiatives to incorporate this way of thinking into relevant businesses.

Moreover, we hold web training and study sessions, along with

discussions with experts, so that we can act appropriately with respect for human rights in business operations.

For further information, please refer to Sustainability Report 2020 “AI and Human Rights.”

Risks Regarding Bribery

NEC Corporation has created an “Anti-Bribery Manual for Business Divisions, Etc.” that stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding the division’s business and operations and due diligence regarding third parties employed in the Company’s business activities. In fiscal 2020, we revised the

manual and added a section that stresses the importance of continued monitoring due to the possibility of risks related to retained parties or partners changing with the passage of time.

For further information, please refer to Sustainability Report 2020 “Promoting Fair Commercial Transactions.”

Risks Regarding Information Security

As information threats continue to evolve daily, information security, along with cyber security, has become one of NEC’s “materiality”—priority management themes from an ESG perspective, in our sophisticated IT-based society.

To protect information assets, NEC is taking the following

approach: implementing anti-cyber attack measures, providing secure products, systems and services, and promoting information security in collaboration with business partners.

For further information, please refer to Sustainability Report 2020 “Information Security and Cyber Security.”

Messages from an Outside Director and an Outside Audit & Supervisory Board Member

How Societal Changes and NEC’s Reforms Affect the Future Outlook

Kaoru Seto
Outside Director



The rapid spread of COVID-19 has had a major impact on the global economy, making it difficult to predict Japan’s future. People’s values and lifestyles are expected to change markedly. And in this context, the impact on NEC is a concern, but rather than focusing on the negative side, it is important to see this change as a tailwind and an opportunity for NEC to make significant contributions to society.

This is possible because NEC has constantly reinvented its corporate culture through many years of business structure and personnel reforms, and is endowed with a history of 120 years of steadily refining, diversifying, and cultivating technology.

I believe another important factor is NEC’s adeptness in drawing on the valuable competencies of external experts, as evidenced by

its recruitment of excellent managerial executives and the increase in the number and quality of outside directors. An external perspective is an indispensable and extremely important component in strengthening NEC Corporation through stronger governance, which is the foundation of management. Moreover, a succession plan should be formulated from a long-term perspective, to look ahead to the president for the next generation and beyond. On this matter, all the outside directors are continuing to meet with executive officers to evaluate each person’s abilities, insights, personality, ethics, and other qualities.

I believe such efforts indicate a bright outlook for NEC’s growth and social contributions going forward.

Auditing Practices Evolving to Change with the Times

Nobuo Nakata
Outside Audit & Supervisory Board Member (KANSAYAKU)



One year has passed since I was appointed to serve as an outside corporate auditor of NEC. Compared to other companies, NEC’s business content is elaborate as it involves the leveraging of its cutting-edge technologies, and the Company itself is a complex organization consisting of a large number of business divisions and domestic and overseas Group subsidiaries. As such, it is difficult to tackle the task at hand with the approach of ordinary audits, so auditing methods have been refined through various resourceful initiatives. One of these is the close cooperation between three teams: the corporate auditors, audit firms, and internal audit departments.

In the exchange of views between audit firms and internal audit departments, one topic of keen interest has been the state of audits since COVID-19 began to spread. The execution of working remotely from a place set up for the purpose of daily work activities turned out to be more efficient than expected. On the other hand, discussions and ideas have tended to focus only on pinpoint issues. Also, it is easy for team members to overlook the careless mistakes of others in the process of working remotely, so we need to perform audits with that in mind. Furthermore, considering the limited opportunities for conducting actual

inspections by visiting business divisions and subsidiaries and the increase in conducting hearings remotely, we are exploring the use of digital auditing to supplement conventional methods, which are based on experience and intuition cultivated from a broad inventory of knowledge and human relationships. As an example of a customary digital audit, risks of accounting fraud and unprofitable projects can be systematically identified at an early stage through the analysis of financial data. Digital auditing is already being introduced, but in order to further promote and improve such audits, it is necessary to improve the accuracy of risk identification according to the characteristics of each company’s operations and the location of risks. The importance of determining sampling risk in dangerous areas based on experience and intuition remains unchanged, but it is expected that by combining this with methods using IT systems to comprehensively identify risk locations, the accuracy of auditing will undoubtedly improve in the future. I therefore expect to see increasing adoption of digital auditing going forward.

As an Outside Audit & Supervisory Board Member, I intend to do my best to contribute further to improving NEC’s governance. Thank you for your support and understanding.

Directors and Audit & Supervisory Board Members

(As of July 1, 2020)

Directors



Nobuhiro Endo
Chairman of the Board
Mr. Endo served NEC as President (Representative Director) from 2010 and as Chairman of the Board (Representative Director) from April 2016. Since June 2019, he has served as Chairman of the Board (Non-executive Director).



Kaoru Seto
Member of the Board
Special Adviser, Yamato Holdings Co., Ltd.
Mr. Seto has extensive experience and deep insight as a manager of a logistics service company.



Takashi Niino
President (Representative Director) and CEO (Chief Executive Officer)
After being engaged in the management of the financial solutions business and the NEC Group's management strategies, Mr. Niino has been engaged in the management of NEC as President (Representative Director) and CEO since April 2016.



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.



Takayuki Morita
Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director)
After being engaged in the management of NEC's M&A and global business, Mr. Morita has been in charge of its global business strategy and in April 2018 was appointed as Representative Director and Senior Executive Vice President and Member of the Board.



Masatoshi Ito
Member of the Board
Chairman of the Board, Ajinomoto Co., Inc.
Mr. Ito has extensive experience as the manager of a manufacturing business and deep insight into marketing and corporate strategy.



Norihiko Ishiguro
Senior Executive Vice President and Member of the Board
Mr. Ishiguro has extensive experience and a track record relating to industrial policy and trade policy through his work at the Ministry of Economy, Trade and Industry. In addition, he has been in charge of global business strategy and external relations as Senior Executive Vice President since October 2016.



Kuniharu Nakamura
Member of the Board
Chairman of the Board of Directors, Sumitomo Corporation
Mr. Nakamura has extensive experience and deep insight, including with global business as the manager of a general trading company.



Hajime Matsukura
Executive Vice President, CHRO (Chief Human Resources Officer) and Member of the Board
After being engaged in the management of corporate strategies at corporate departments and in the NEC Group's operational reform, Mr. Matsukura is now in charge of the NEC Group's culture building and human resources development.



Jun Ohta
Member of the Board
Director President and Group CEO, Sumitomo Mitsui Financial Group, Inc.
Mr. Ohta has extensive experience and deep insight with management of a bank.



Motoo Nishihara
Executive Vice President, CTO (Chief Technology Officer) and Member of the Board
Mr. Nishihara serves as the Senior Vice President in charge of R&D, and is responsible the NEC Group's R&D and technology strategies.

Notes: 1. NEC has notified the Tokyo Stock Exchange of its four independent Directors and three independent Audit & Supervisory Board Members ("A&SBMs"). Independent Directors: Mr. Kaoru Seto, Ms. Noriko Iki, Mr. Masatoshi Ito, Mr. Kuniharu Nakamura; Independent A&SBMs: Ms. Taeko Ishii, Mr. Nobuo Nakata, and Mr. Masami Nitta.
2. Attendance at meetings: the number of attendance at meetings (meetings of the Board of Directors or meetings of the Audit & Supervisory Board) out of the number of the meetings held in the fiscal year ended March 31, 2020.
3. Directors whose attendance is not listed attended all of the Board of Directors meetings held during their term of office, and A&SBMs whose attendance is not listed attended all of the Board of Directors meetings and all of the Audit & Supervisory Board meetings held during their term of office.

Audit & Supervisory Board Members (KANSAYAKU)



Hajime Kinoshita
Audit & Supervisory Board Member (full-time)
Mr. Kinoshita has experience being in charge of the legal and internal control division for many years.



Isamu Kawashima
Audit & Supervisory Board Member (full-time)
Mr. Kawashima has experience as the person responsible for accounting and financial affairs of the Company for many years.



Taeko Ishii
Audit & Supervisory Board Member
Attorney at Law
Ms. Ishii has a lot of experience and deep insight as an attorney at law in the fields of personnel affairs, labor and others.



Nobuo Nakata
Audit & Supervisory Board Member
Attorney at Law
Mr. Nakata has a lot of experience and deep insight as an attorney at law in the field of corporate law including M&A.

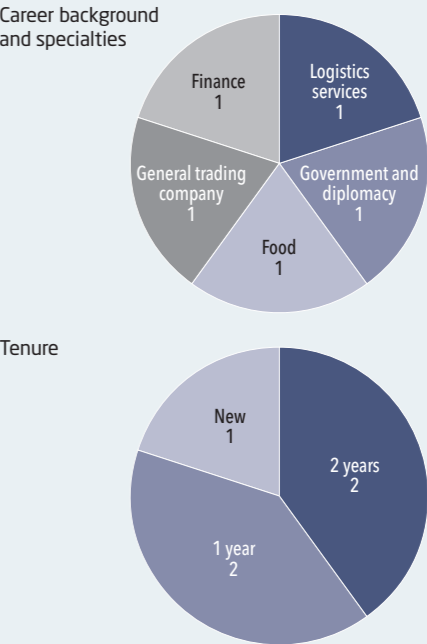


Masami Nitta
Audit & Supervisory Board Member
Certified Public Accountant
Mr. Nitta has experience in corporate management and professional insight as a Certified Public Accountant.

Career Background and Specialities, and Tenure of 5 Outside Directors

The Board of Directors makes important decisions regarding the Company's business execution, starting with decisions on its basic management policies. It also fulfills the responsibility of overall supervision of business execution, and therefore requires viewpoints based on broad knowledge. The Board of Directors is formulated with consideration given to diversity in such factors as career background, specialist field, internationality and gender.

The career background and specialties, and tenure of the 5 Outside Directors are as follows.



Career background and specialties of 3 Outside Directors

NEC appoints as Audit & Supervisory Board Members personnel who have the knowledge and experience necessary to conduct audits. They have considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the Audit & Supervisory Board.

The career background and specialties of the 3 A&SBMs are as follows.



For further details on the Directors and Audit & Supervisory Board Members 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>

Cross-Company Corporate Strategy Promotion Framework

(As of July 1, 2020)

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.

Here, the vice presidents, chief officers, and business unit heads who are in charge of proposing and executing strategy from a companywide perspective explain the issues in their respective areas of responsibility and their initiatives to solve them.



Norihiko Ishiguro
Senior Executive Vice President

Creating an Optimal Environment for Growth as a Global Social Value Innovator
Through negotiation and sales activities with governments around the world and international organizations and various companies, I am working to accelerate implementation of DX policies and initiatives with a view to contributing to the realization of Society 5.0 and achievement of the SDGs. I also intend to work to establish a business environment that enables NEC to provide solutions for global and domestic issues as a Social Value Innovator and to realize growth. Furthermore, I aim to transform our organizational culture so that NEC can maximize value for customers even more quickly than it has to date, as well as increase employee satisfaction.



Akihiko Kumagai
Senior Executive Vice President

Responding Quickly and Effectively to a Wide Variety of Country-Specific Needs is the Key to a Successful Global Business
I am going to advocate diversity, especially the promotion of diverse talent to executive positions. People who are willing to drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets, will be promoted to leadership positions, regardless of gender or nationality. By doing so, we will be able to effectively respond to the ever-changing social and market environments.



Chikara Ishii
Executive Vice President,
CDO (Chief Digital Officer)

Creating New Social Value through Digital Transformation (DX)
Society needs to adapt and evolve rapidly in response to changes that are occurring on an unprecedented scale and with extraordinary speed. To that end, effective use of digital technology is vital. As CDO, I will lead NEC in maximizing use of our digital assets, such as AI and biometric authentication technologies, to promote the evolution of society and realize digital transformation.



Hajime Matsukura
Executive Vice President,
CHRO (Chief Human Resources Officer)

Encouraging NEC People in Line with the NEC Way and Concentrating Our Abilities
In the final year of Mid-term Management Plan 2020, I will further accelerate reforms with regard to our corporate culture and human resources. In addition, we are working to reshape working styles by identifying the essential changes in society brought about by the spread of COVID-19. In order to realize transformation, we will strive to enhance NEC’s corporate value by embodying the NEC Way in our business and by contributing to society, in a manner that leads to a change in the mindset of each employee and fosters a sense of pride.



Hiroshi Kodama
Executive Vice President,
CIO (Chief Information Officer) and
CISO (Chief Information Security Officer)
President of Digital Business
Platform Unit

Leading the Creation of a Digitally Inclusive Society
My goal is to realize a society where individuals can flourish due to the benefits of digitalization. I intend to lead us toward the creation of a digitally inclusive society by supporting both NEC’s own reforms and its provision of value to society through ICT.

- Promote DX as the foundation of ICT for supporting NEC’s transformation
- Expand the platforms for new working styles in the new normal and for generating value through co-creation that transcends companies and organizations
- Support new work styles by ensuring a zero trust model of security with Security by Design
- Leverage NEC’s expertise and digital technologies to provide solutions for social and customer issues



Motoo Nishihara
Executive Vice President,
CTO (Chief Technology Officer)
Head of Research & Development Unit

Enhancing Capabilities for Commercializing NEC’s Technology Strengths through the Newly Formed R&D Unit
In April 2020, we established a research and development unit to create new businesses driven by NEC’s technology strengths. While continuing to cultivate core technologies that are the source of NEC’s competitiveness, I will promote the development of technologies for quick commercialization, synergies between companywide technological strengths, large-scale co-creation projects with industry-leading customers, and other such initiatives. Through the newly formed R&D Unit, I will endeavor to further accelerate NEC’s transformation into a Social Value Innovator.



Tomoyasu Nishimura
Executive Vice President,
System Platform Business

Providing Excellent Platform Products to Support Customers’ Business Transformation
In order to achieve transformation that leverages digital technologies, rapid start-up and stable operation of services are indispensable, along with cutting-edge cloud-networked platforms that can migrate and utilize existing ICT assets and data. By combining NEC Corporation’s advanced digital technologies with our expertise in delivering highly reliable and high-quality development, production, maintenance, operation, and support services, and integrating those strengths with the assets of our partners, I will work to increase the high value and competitiveness of our platform products, which represent the foundation of NEC’s value-provision capabilities.



Yutaka Ukegawa
Senior Vice President
President of Cross-Industry Unit

Developing New Businesses through Public-Private Partnerships and Cross-Industry Collaboration to Realize Society 5.0
With regard to the launch of new businesses through public-private partnerships and cross-industry collaboration for the realization of Society 5.0, as the officer responsible for the phase from business verification to business development and up to initial business deployment, I intend to promote collaborations flexibly and swiftly on a companywide basis. From fiscal 2021, we will pursue business development by including local 5G networks and DX among our areas of focus, in addition to smart cities, mobility, digital IDs, and public safety networks.



Makoto Enomoto
Senior Vice President,
CMO (Chief Marketing Officer)

Presenting a New Digital Marketing Format in the Face of the New Normal
As society faces a new normal, the way we build and maintain relationships with our customers will change dramatically. In the ratio of real (face-to-face) to digital (non-contact) interactions, the digital side is expected to increase in weight. I will work to engineer a major shift in branding and promotion measures from real to digital, and present new forms of digital marketing to our customers.



Shinobu Obata
Senior Vice President,
CLCO (Chief Legal and Compliance
Officer)

Increasing the NEC Group’s Integrity through Deeper Penetration of the Code of Conduct
The NEC Group established the Code of Conduct as one of the four elements constituting the NEC Way to prescribe the principles of how all employees should behave. It is my intention to promote permeation of this Code of Conduct within the NEC Group and strive to encourage every member of our organization to not only adhere to the rules of compliance, but also contribute to society as a good citizen of the corporate world with high ethical standards and integrity.



Osamu Fujikawa
Senior Vice President,
President of Business Innovation Unit

Gaining Insight into Future Social Issues and Harnessing NEC’s Strong Assets to Develop Core Businesses for the Medium to Long Term
In 2019, in accordance with the Company’s medium- to long-term vision, NEC entered the drug discovery business with the goal of leveraging its unique AI technologies. I aim to gain insight into future social issues by strengthening market intelligence, and will do my utmost to develop core businesses from a medium- to long-term perspective, underpinned by the excellent technologies generated by NEC’s research laboratories and business assets.



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

Achieving Sustainable Growth with Sustainable Supply Chains
This year was a year in which the supply chains became a central concern within the context of our BCPs. I see this as an opportunity to deepen collaboration and co-creation with our stakeholders to address supply chain-related risks, and respond with speed and accuracy. Through these proactive efforts, we will further strengthen our sustainable supply chains, for which we are attentive to the issues of the environment and human rights, improve quality and safety, and realize the continuous growth of the NEC Group.

For further details on NEC Corporation’s corporate officers, please visit the following URL:

 <https://www.nec.com/en/global/about/executives/svp.html>

Financial Section (See notes to consolidated financial statements.)

NEC Corporation and Subsidiaries
Years Ended March 31, 2019 and 2020

Consolidated Statements of Financial Position

	Millions of yen	
	2019	2020
Assets		
Current assets		
Cash and cash equivalents (Note 16)	¥ 278,314	¥ 359,252
Trade and other receivables (Note 15)	734,431	737,484
Contract assets (Note 26)	265,725	247,625
Inventories (Note 14)	234,621	199,326
Other financial assets (Note 31)	5,875	5,584
Other current assets (Note 17)	110,199	108,436
Subtotal	1,629,165	1,657,707
Assets held for sale (Note 17)	9,071	41,210
Total current assets	1,638,236	1,698,917
Non-current assets		
Property, plant and equipment, net (Notes 8 and 10)	408,821	558,077
Goodwill (Notes 9 and 10)	188,183	182,334
Intangible assets, net (Notes 9 and 10)	218,581	199,093
Investments accounted for using the equity method (Note 12)	72,421	74,092
Other financial assets (Note 31)	250,409	219,326
Deferred tax assets (Note 13)	150,511	165,183
Other non-current assets (Notes 10 and 17)	36,060	26,232
Total non-current assets	1,324,986	1,424,337
Total assets	¥2,963,222	¥3,123,254

	Millions of yen	
	2019	2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables (Note 24)	¥ 482,596	¥ 460,881
Contract liabilities (Note 26)	184,059	195,152
Bonds and borrowings (Note 21)	158,678	154,992
Accruals	178,911	191,440
Lease liabilities (Notes 31 and 37)	–	47,085
Other financial liabilities (Note 31)	16,169	14,995
Accrued income taxes	8,296	12,624
Provisions (Note 23)	58,448	59,412
Other current liabilities (Note 25)	61,985	55,153
Subtotal	1,149,142	1,191,734
Liabilities directly associated with assets held for sale (Note 18)	9,071	30,133
Total current liabilities	1,158,213	1,221,867
Non-current liabilities		
Bonds and borrowings (Note 21)	388,128	364,828
Lease liabilities (Notes 31 and 37)	–	108,514
Other financial liabilities (Note 31)	47,417	42,402
Net defined benefit liabilities (Note 22)	241,759	224,469
Provisions (Note 23)	24,803	12,369
Other non-current liabilities (Note 25)	43,221	34,282
Total non-current liabilities	745,328	786,864
Total liabilities	1,903,541	2,008,731
Equity		
Share capital (Note 19)	397,199	397,199
Share premium (Note 19)	138,824	139,735
Retained earnings (Note 19)	354,582	436,361
Treasury shares (Note 19)	(3,547)	(4,157)
Other components of equity (Note 19)	(28,119)	(58,464)
Total equity attributable to owners of the parent	858,939	910,674
Non-controlling interests (Note 11)	200,742	203,849
Total equity	1,059,681	1,114,523
Total liabilities and equity	¥2,963,222	¥3,123,254

Consolidated Statements of Profit or Loss

	Millions of yen	
	2019	2020
Revenue (Notes 6 and 26)	¥2,913,446	¥3,095,234
Cost of sales (Notes 14 and 28)	2,083,517	2,207,675
Gross profit	829,929	887,559
Selling, general and administrative expenses (Note 27)	743,021	752,690
Other operating expenses (Note 27)	(29,128)	(7,260)
Operating profit (Note 6)	57,780	127,609
Finance income (Notes 6 and 29)	21,989	8,477
Finance costs (Notes 6 and 29)	8,377	15,464
Share of profit of entities accounted for using the equity method (Note 6 and 12) ...	5,916	3,347
Profit before income taxes	77,308	123,969
Income taxes (Note 13)	25,378	11,250
Net profit	¥ 51,930	¥ 112,719
Net profit attributable to		
Owners of the parent	39,675	99,967
Non-controlling interests	12,255	12,752
Total	¥ 51,930	¥ 112,719
Earnings per share attributable to owners of the parent		
Basic earnings per share (JPY) (Note 30) ...	152.75	385.02
Diluted earnings per share (JPY) (Note 30) ...	152.75	385.01

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2019	2020
Net profit	¥ 51,930	¥112,719
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Equity instruments designated as measured at fair value through other comprehensive income (Note 19)	(3,035)	(20,297)
Remeasurements of defined benefit plans (Notes 19 and 22)	(40,348)	2,160
Share of other comprehensive income of entities accounted for using the equity method (Note 19)	(371)	(84)
Total items that will not be reclassified to profit or loss	(43,754)	(18,221)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations (Note 19)	(735)	(14,776)
Cash flow hedges (Note 19)	(61)	22
Share of other comprehensive income of entities accounted for using the equity method (Note 19)	26	(175)
Total items that may be reclassified subsequently to profit or loss	(770)	(14,929)
Total other comprehensive income, net of tax	(44,524)	(33,150)
Total comprehensive income	¥ 7,406	¥ 79,569
Total comprehensive income attributable to		
Owners of the parent	(4,955)	69,622
Non-controlling interests	12,361	9,947
Total	¥ 7,406	¥ 79,569

Consolidated Statements of Cash Flows

	Millions of yen	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	¥ 77,308	¥ 123,969
Depreciation and amortization (Note 6)	99,745	166,360
Impairment loss (Notes 6 and 10)	12,607	6,384
(Decrease) increase in provisions	15,101	(5,639)
Finance income (Note 29)	(21,989)	(8,477)
Finance costs	8,377	15,464
Share of profit of entities accounted for using the equity method	(5,916)	(3,347)
Decrease (increase) in trade and other receivables	(41,470)	(26,263)
(Increase) decrease in contract assets	(16,951)	11,911
(Increase) decrease in inventories	(16,716)	11,430
Increase in trade and other payables	4,415	1,653
Increase in contract liabilities	21,500	11,536
Others, net	(48,544)	(20,517)
Subtotal	87,467	284,464
Interest and dividends received	7,580	6,947
Interest paid	(6,350)	(9,052)
Income taxes paid	(24,462)	(20,496)
Net cash provided by operating activities	64,235	261,863
Cash flows from investing activities		
Purchases of property, plant and equipment	(48,929)	(72,825)
Proceeds from sales of property, plant and equipment ...	4,283	6,903
Acquisitions of intangible assets	(11,764)	(16,372)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(7,375)	(1,820)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	2,293	12,279
Purchase of shares of newly consolidated subsidiaries (Note 7)	(47,930)	(6,935)
Increase in cash flows resulting in change in scope of consolidation, net of consideration transferred (Note 7) ...	17	52
Proceeds from sales of shares of subsidiaries (Note 18)	20,230	–
Decrease in cash flows resulting in change in scope of consolidation, net of consideration transferred	–	(220)
Purchases of investments in associates or joint ventures ...	(1,148)	(376)
Proceeds from sales of investments in associates or joint ventures (Note 18)	13,816	2,098
Proceeds from collection of loans receivable	94	44
Others, net	(262)	(6,851)
Net cash used in investing activities	(76,675)	(84,023)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net (Note 21)	48,234	(4,349)
Proceeds from long-term borrowings (Note 21)	9,681	37,879
Repayments of long-term borrowings (Note 21)	(157,778)	(48,723)
Proceeds from issuance of bonds (Note 21)	50,011	–
Repayments of lease liabilities (Note 32)	–	(53,620)
Proceeds from sales of interests in subsidiaries to noncontrolling interests	18,810	–
Dividends paid (Note 20)	(15,586)	(18,177)
Dividends paid to non-controlling interests	(4,261)	(4,939)
Others, net	386	182
Net cash used in financing activities	(50,503)	(91,747)
Effect of exchange rate changes on cash and cash equivalents	(1,275)	(4,496)
Net increase (decrease) in cash and cash equivalents ...	(64,218)	81,597
Cash and cash equivalents, at the beginning of the year ...	346,025	278,314
Decrease in cash and cash equivalents resulting from transfer to assets held for sale (Note 18)	(3,493)	(659)
Cash and cash equivalents, at the end of the year (Note 16)	¥ 278,314	¥ 359,252

Consolidated Statements of Changes in Equity

	Millions of yen							Total equity
	Equity attributable to owners of the parent						Non-controlling interests	
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2018	¥397,199	¥138,704	¥265,879	¥(3,364)	¥ 82,415	¥880,833	¥173,452	¥1,054,285
Impact of changes in accounting policies	—	—	64,619	—	(65,904)	(1,285)	—	(1,285)
Recalculated beginning balance ..	397,199	138,704	330,498	(3,364)	16,511	879,548	173,452	1,053,000
Net profit	—	—	39,675	—	—	39,675	12,255	51,930
Other comprehensive income (Note 19)	—	—	—	—	(44,630)	(44,630)	106	(44,524)
Comprehensive income	—	—	39,675	—	(44,630)	(4,955)	12,361	7,406
Purchase of treasury shares (Note 19).....	—	—	—	(215)	—	(215)	—	(215)
Disposal of treasury shares (Note 19).....	—	2	—	32	—	34	—	34
Cash dividends (Note 20)	—	—	(15,591)	—	—	(15,591)	(4,302)	(19,893)
Put option, written over shares held by a non-controlling interest shareholder	—	836	—	—	—	836	—	836
Changes in interests in subsidiaries (Note 11)	—	(718)	—	—	—	(718)	19,231	18,513
Total transactions with owners	—	120	(15,591)	(183)	—	(15,654)	14,929	(725)
As of March 31, 2019	¥397,199	¥138,824	¥354,582	¥(3,547)	¥(28,119)	¥858,939	¥200,742	¥1,059,681

Note: The cumulative impact of changes in accounting policies is due to the application of IFRS 9, "Financial Instruments (2014)" and IFRS 15, "Revenue from Contracts with Customers."

	Millions of yen							Total equity
	Equity attributable to owners of the parent						Non-controlling interests	
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2019	¥397,199	¥138,824	¥354,582	¥(3,547)	¥(28,119)	¥858,939	¥200,742	¥1,059,681
Net profit	—	—	99,967	—	—	99,967	12,752	112,719
Other comprehensive income (Note 19)	—	—	—	—	(30,345)	(30,345)	(2,805)	(33,150)
Comprehensive income	—	—	99,967	—	(30,345)	69,622	9,947	79,569
Purchase of treasury shares (Note 19)	—	—	—	(674)	—	(674)	—	(674)
Disposal of treasury shares (Note 19)	—	(0)	—	63	—	63	—	63
Cash dividends (Note 20)	—	—	(18,188)	—	—	(18,188)	(4,941)	(23,129)
Put option, written over shares held by a non-controlling interest shareholder	—	912	—	—	—	912	—	912
Changes in interests in subsidiaries (Note 11)	—	0	—	—	—	0	(1,899)	(1,899)
Total transactions with owners	—	912	(18,188)	(611)	—	(17,887)	(6,840)	(24,727)
As of March 31, 2020	¥397,199	¥139,735	¥436,361	¥(4,157)	¥(58,464)	¥910,674	¥203,849	¥1,114,523

Non-Financial Section – Achievements and Progress on ESG-Related Themes

We have compiled a list of non-financial indicators for measuring our progress on Priority Management Themes from an ESG Perspective–Materiality. For the years ended or at year-end of March 31, 2019 and 2020 Items that do not have footnotes apply to NEC Corporation alone.

Environment field

Environmental Action with a Particular Focus on Climate Change

	2019	2020
Rate of contribution to CO ₂ emission reductions across the whole supply chain	4.1 times	5.2 times
CO ₂ emissions reduction by providing IT solutions (Each year)	5,300 thousand tons	4,750 thousand tons
Improvement in energy efficiency of products (Versus products in fiscal 2014)	74%	71%
Greenhouse gas emissions* ¹		
Scope 1* ²	52 thousand tons	26 thousand tons
Scope 2* ²	277 thousand tons	347 thousand tons
Scope 3	7,795 thousand tons	7,110 thousand tons* ²

*NEC Corporation and 92 NEC Group Companies (including 41 domestic companies and 51 companies abroad)

	2019	2020
Energy usage* ² * ³		
Electricity	5,712 TJ	7,140 TJ
Fuel (gas)	931 TJ	396 TJ
Fuels (heavy oil and kerosene, etc.) and steam, etc.	81 TJ	87 TJ
Water usage* ²	2,193 thousand m ³	2,550 thousand m ³
Total waste emissions		
Emission volume (general waste + industrial waste)* ²	38.3 thousand tons	38.6 thousand tons
Resource reuse rate	90.0%	94.9%

* 1 Greenhouse gas refers to CO₂ (carbon dioxide), CH₄ (methane), N₂O (nitrous oxide), HFCs (hydrofluorocarbons), PFCs (perfluorocarbons), SF₆ (sulfur hexafluoride), and NF₃ (nitrogen trifluoride).Greenhouse gas emissions are calculated based on the following categories stated by GHG Protocol Initiative classification.
Scope 1: Direct GHG emissions from sources that are owned or controlled by the Company
Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam
Scope 3: Other indirect emissions covering corporate upstream and downstream processes not included in Scope 1 + Scope 2
* 2 Third-party verification received. The scope of assurance includes NEC Corporation and consolidated subsidiaries subject to environmental governance.
* 3 TJ: Terajoule

Social field

Sustainably and Socially Literate Human Resources

	2019	2020
Ratio of employees who feel that the Company's direction has changed toward creating social value by accepting a diverse range of values	22.9%	25.3%
Number of employees by region (Total)* ⁴	110,595 people	112,638 people
Japan	76,799 people	76,180 people
Asia Pacific	11,772 people	14,114 people
China/East Asia	4,614 people	4,782 people
EMEA	9,797 people	10,505 people
North America	2,769 people	2,734 people
Latin America	4,844 people	4,323 people
Ratio of outside directors to all directors	45.5%	45.5%
Number of female managers (Consolidated)* ⁵ * ⁶	2,121 people	2,105 people* ⁷
Ratio of female managers (Consolidated)* ⁵ * ⁶	7.8%	7.8%* ⁷
Number of female managers* ⁶ * ⁷ (As of April 1 of each year)	359 people	395 people
Ratio of female managers* ⁶ * ⁷ (As of April 1 of each year)	5.9%	6.4%
Ratio of female new employees	29.4%	26.7%

	2019	2020
Ratio of employees with disabilities (Consolidated Group in Japan) (As of June 1 of each year)	1.99%* ⁷ * ⁸	2.18%* ⁹
Ratio of employees with disabilities (Non-consolidated* ¹⁰) (As of June 1 of each year)	2.33%* ⁷	2.38%
Number of people utilizing childcare leave* ⁶ * ⁷	381 people	354 people
Ratio of employees returning after childcare leave* ¹¹	97.3%	97.5%
Number of people utilizing nursing care leave* ⁶ * ⁷	24 people	15 people
Average age of employees* ⁶ * ⁷	43.4 years old	43.7 years old
Average length of employment* ⁶ * ⁷	19.0 years	19.2 years

Privacy Policies and Measures Aligned with Societal Expectations

- We are disseminating the NEC Group AI and Human Rights Principles internally and promoting their incorporation into business activities.

* 4 Scope: NEC Corporation and consolidated subsidiaries
* 5 Scope: NEC Corporation and consolidated subsidiaries (excluding group companies of Japan Aviation Electronics Industry, Limited)
* 6 Excluding corporate officers, advisors, and non-permanent employees in NEC Corporation
* 7 Externally assured figures
* 8 At 12 wholly owned subsidiaries in Japan, excluding application to affiliates under the Act for Promotion of Employment of Persons with Disabilities
* 9 At 13 wholly owned subsidiaries in Japan, excluding application to affiliates under the Act for Promotion of Employment of Persons with Disabilities
* 10 NEC Corporation, NEC Friendly Staff, Ltd., NEC Management Partner, Ltd.
* 11 Ratio of employees who have returned to work after starting childcare leave in the fiscal year before the previous fiscal year

Governance field

Governance/Compliance

	2019	2020
Number of cases of involvement with serious cartels and/or bid-rigging	0	0

Security to Maximize ICT Possibilities

- We will promote minimization of risks and maximization of value, using minimization of the effects of serious security incidents and the promotion of reference cases as an indicator.

ESG Overall ESG

Innovation Management

	2019	2020
R&D expenses* ¹²	¥108.1 billion	¥109.8 billion
Number of patents* ¹²	approx. 49,000	approx. 47,000

* 12 Scope: NEC Corporation and consolidated subsidiaries

Corporate Overview

Company Name NEC Corporation

Address 7-1, Shiba 5-chome, Minato-ku,
Tokyo 108-8001, Japan

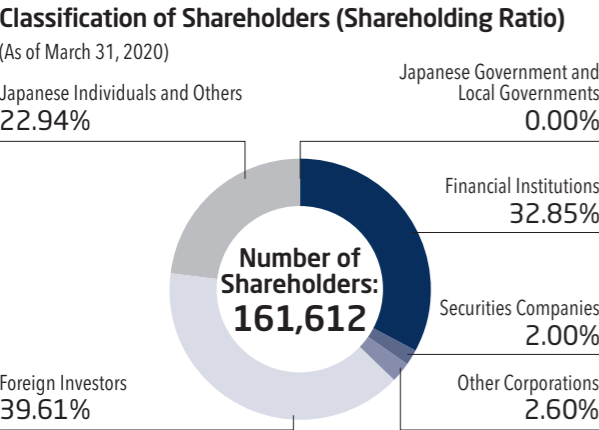
Established July 17, 1899

Number of Employees (As of March 31, 2020)
112,638
(NEC Corporation and consolidated subsidiaries)

Total Number of Shares Issued (As of March 31, 2020)
260,473,263 shares

Stock Exchange Listing
Tokyo (Securities Code: 6701)

Shareholder Register Administrator
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo



Major Shareholders (Top 10) (As of March 31, 2020)		
Name of Shareholders	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,003	8.08
Japan Trustee Services Bank, Ltd. (Trust Account)	17,343	6.67
STATE STREET BANK WEST CLIENT – TREATY 505234	5,727	2.20
Sumitomo Life Insurance Company	5,600	2.16
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	5,559	2.14
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	4,944	1.90
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	4,748	1.83
NEC Employee Shareholding Association	4,498	1.73
NIHK A/C CLIENT (OWNED BY KKR FUNDS)	4,486	1.73
JP MORGAN CHASE BANK 385151	4,383	1.69

Note: The shareholding ratio is calculated by excluding the number of treasury stock (646,963 shares)

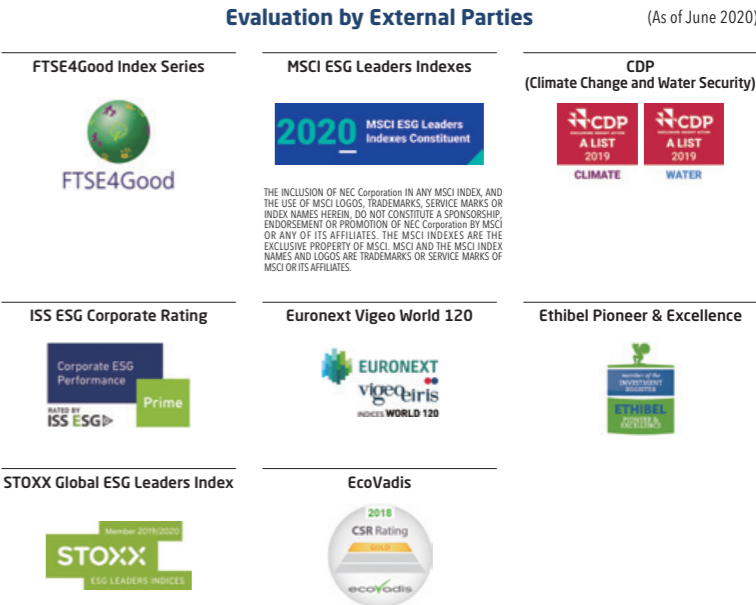
The information contained in Integrated Report 2020 is also available on NEC's website.

NEC home page
<https://www.nec.com>

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

The above link offers further details of NEC's approach to sustainable management based on ESG, "Sustainability Report 2020," and related information.

Division in Charge **Sustainability Promotion Office, Corporate Communications Division**



Investor Relations
<https://www.nec.com/en/global/ir>

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 the disclosure on this website.

Division in Charge **Investor Relations Office, Corporate Finance & Global Treasury Division**



Cautionary Statement with Respect to Forward-Looking Statements

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

The factors that may influence the operating results include, but are not limited to, the following:

- 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;
- 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.

Trademarks

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

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