Briefing about Environmental Management Q&A

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Questioner A

Q :

Please tell us about the scale of your current environmental business and the scale of business you are aiming for in the long term, such as 2030.

A :

Currently, we have not fully quantified the scale of our business. We anticipate the market will begin to grow significantly from the late 2020s to 2030. Presently, we receive over 100 inquiries annually, which are on the rise. These inquiries are transitioning from basic information disclosure support to more sophisticated challenges. NEC is preparing to capture market share through initiatives like "Client Zero" and co-creation as the market evolves.

Q :

Please tell us what the issues are regarding the environmental friendliness of software and services, and what approaches you are taking to address these issues.

A :

While NEC has a solid foundation in environmentally friendly hardware, we recognize that the contribution of visualization is important in software and services, but we have not been able to fully communicate it. As data center and AI usage increase, so does power consumption, presenting another challenge. The

first step is to visualize the situation, and we are participating in efforts to formulate guidelines for calculating the carbon footprint of software products. As demand for AI and IT grows, we are also working to develop technologies that reduce power consumption while maintaining performance.

A further challenge lies in Scope 3, categories 1 and 11, which cannot be addressed by a single company. Product-level CO₂ emissions visualization and recycling platforms require collaboration across multiple companies and may demand financial support. These issues are widely recognized as important topics for discussion outside the company, and NEC also believes it is necessary to promote cooperation and initiatives among industry, government, and academia.

Questioner B

Q :

Regarding the Inter-enterprise Information Distribution Platform (as mentioned on slide 23 of the presentation), please tell us about the progress of the initiatives related to plastics and aluminum, as well as future goals and timelines.

A :

In terms of plastics, we are currently conducting platform verification at PLA-NETJ. This fiscal year, we are conducting verification in collaboration with various companies, focusing on specific topics, and we are aiming for practical application in fiscal year 2026, following large-scale verification next fiscal year. As for aluminum, we cannot provide a clear schedule at this time, but we are discussing this with people in the aluminum industry, and we hope to move forward with efforts aimed at early practical application.

Q :

Given that data integration is crucial for the information distribution platform, are you aligning your approach with global standards?

A :

We are participating in the Ouranos Ecosystem initiative led by the Ministry of Economy, Trade and Industry (METI). Through this initiative, we are engaged in discussions with other companies and relevant government agencies to promote both domestic standardization and global integration.

Q :

Do you plan to start with the Ouranos Ecosystem and then use it to drive collaboration on a global scale?

A :

Yes. Not only in this case, but in all areas, there are few things that can be solved domestically alone, such as the uneven distribution of resources and inequity, but we are working to build relationships with industry, government, and academia in Japan. In addition, it is important to have a presence at global events such as the COP and the Davos Forum. By demonstrating its presence, NEC is working to raise awareness that Japan is also firmly committed to this issue and is working to promote cooperation among industry, government, and academia with the goal of making Japanese ideas a global standard.

Questioner C

Q :

Of the approximately 100 inquiries per year, 10% are about co-creating new businesses (as mentioned on slide 15 of the presentation). Can you share some details about these inquiries, within confidentiality limits?

A :

While I can't go into specific details due to customer confidentiality, I can say that the environmental management challenges NEC faces are quite similar to those faced by our customers. From a management perspective, the first step is to address issues with the minimum necessary investment. This is followed by stages in which external evaluations increase corporate value, and reducing environmental impact and costs strengthens competitiveness. This progression leads to sustainability becoming a growth driver. For example, our co-creation projects with Sumitomo Mitsui Banking Corporation and Sumitomo Corporation not only contribute to NEC's business, but also help us identify key solutions for other customers. We also receive inquiries from manufacturing and logistics customers interested in developing new businesses through co-creation.

Questioner D

Q :

Regarding product-level CO₂ visualization (as mentioned on slide 21 of the presentation), what business model are you considering, and what is your timeline for commercialization?

A :

NEC already offers a solution called "GGX" for visualizing carbon emissions at the corporate level. However, with evolving regulations, particularly in Europe, and stricter investor disclosure standards, there is a demand for product-level visualization in certain manufacturing sectors. Achieving this requires deep integration with internal manufacturing processes and ensuring seamless data connectivity across supply chains, adding to the complexity of implementation. However, NEC has systems engineering teams with expertise in the domestic manufacturing industry, which enables us to add significant value in this area.

In terms of business model, we are considering offering a cloud service to meet the growing demand for product-level visualization, in addition to system integration related to our manufacturing solutions.

Regarding the timeline, we are currently advancing assessments through our "Client Zero" initiatives. We aim to develop timely solutions that align with regulatory trends and meet customer needs. From an overall perspective, it is difficult to address environmental issues solely from an environmental perspective. As we move forward with our Client Zero initiative, we believe that we will not be

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able to respond to the issues that lie ahead unless we take a major step to look at the entire sustainability picture as a single entity, including economic security, information security, human rights, etc., and effectively implement the PDCA cycle, with the output of this being things like CO₂ visualization of products.

Conversely, by responding to this, the added value of the manufacturing business in which NEC is involved will increase. NEC is able to do this because we have been working to develop the infrastructure that will form the basis for data-driven management. On this basis, we want to build a business-specific infrastructure that links various factors, not just the environment. I think this is in line with the concept of BluStellar, which is to provide our knowledge in a consultative way to address customers' management issues and come up with the best solutions, rather than just providing tools and solutions.

Questioner E

Q :

Please tell us about the economic benefits and CO₂ emissions reductions achieved through increased operational efficiency (as mentioned on slide 22 of the presentation), and the status of visualization by Client Zero. Also, please tell us whether the results of this verification are likely to lead to the next stage of commercialization.

A :

The Japanese manufacturing industry is shifting from mass production to highmix, low-volume production. This shift requires frequent reconfiguration and setup changes on production lines. How these changes are implemented is critical and ultimately impacts environmental outcomes.

In NEC Fielding's delivery operations, we successfully reduced the number of trucks in service by 20%, resulting in a 20% reduction in CO_2 emissions from deliveries. At NEC Platforms, we improved equipment utilization by 15%, which also contributed to lower CO_2 emissions. We've received interest from a variety

of industries, and some customers have decided to adopt these solutions. However, customers are not only focused on reducing CO₂ emissions; they also want to improve operational efficiency and reduce costs. We see this as the essence of green transformation (GX) and digital transformation (DX), and we are advancing proposals that address these needs.