

This is a translation of the Notice of the 186th Ordinary General Meeting of Shareholders of NEC Corporation, and is provided for reference purposes only without any warranty as to its accuracy, completeness of the information, or otherwise. Please note that this translation does not include the translation of the information on exercising voting rights, Notes to Non-consolidated Financial Statements and some other information contained in the Japanese original. In the event of any discrepancy between the Japanese original and this translation, the original shall prevail.

**NEC Corporation**

Securities Code 6701

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

Takayuki Morita  
President  
(Representative Executive  
Officer)

May 31, 2024

**To Our Shareholders:**

**NOTICE OF**  
**THE 186TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

This is to inform you that the 186th Ordinary General Meeting of Shareholders (the “Meeting”) of NEC Corporation (the “Company”) will be held as follows:

1. **DATE:** June 21, 2024 (Friday) at 10:00 a.m. (Japan Standard Time)  
(entry begins at 9:00 a.m. (Japan Standard Time))
2. **PLACE:** NEC Tamagawa Renaissance City Hall, Tamagawa Plant, NEC Corporation  
at 1753 Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa
3. **AGENDA OF THE MEETING:**

**MATTERS TO BE REPORTED UPON:**

Report on the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements of the 186th business period from April 1, 2023 to March 31, 2024 (“Business Period”), and report on the results of the audit on the Consolidated Financial Statements conducted by the Accounting Auditors and the Audit Committee.

**MATTERS TO BE VOTED UPON:**

Proposal: Election of Thirteen (13) Directors

- In the event that the Company finds any correction(s) that should be made in the reference documents for the Meeting, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements), such correction(s) will be specified through the Company's website, Tokyo Stock Exchange Website and Portal of Shareholders' Meeting.

Notes 1: Company's website (<https://www.nec.com/en/global/ir/events/stock/meeting.html>)

2: Tokyo Stock Exchange Website (Japanese only)

3: Portal of Shareholders' Meeting (Japanese only)

## REFERENCE DOCUMENTS FOR THE MEETING

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

#### **Proposal:** Election of Thirteen (13) Directors

Upon the close of the Meeting, the terms of office as Director of all twelve (12) Directors will expire. Pursuant to the decision of the Nominating Committee, it is proposed that thirteen (13) Directors, including eight (8) Outside Directors, be elected, in order to increase the number of Outside Directors by one and boost the ratio of Outside Directors and also further promote diversity, aiming to build a structure that can institute reforms to the Board of Directors. The candidates for Director are as follows listed from pages 6.

No	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors
1	Christina Ahmadjian *Candidate for Outside Director	Member of the Board Compensation Committee Member	12 out of 12 meetings
2	Masashi Oka *Candidate for Outside Director	Member of the Board Nominating Committee Member Chairperson of the Compensation Committee	12 out of 12 meetings
3	Kyoko Okada *Candidate for Outside Director	Member of the Board Audit Committee Member	12 out of 12 meetings
4	Harufumi Mochizuki *Candidate for Outside Director	Member of the Board Chairperson of the Nominating Committee Audit Committee Member	9 out of 9 meetings
5	Joji Okada *Candidate for Outside Director	Member of the Board Chairperson of the Audit Committee	9 out of 9 meetings
6	Yoshihito Yamada *Candidate for Outside Director	Member of the Board Compensation Committee Member	9 out of 9 meetings
7	Shinjiro Sato *New Candidate *Candidate for Outside Director		
8	Shiori Nagata *New Candidate *Candidate for Outside Director		
9	Takashi Niino	Chairman of the Board Nominating Committee Member	12 out of 12 meetings
10	Takayuki Morita	President (Representative Executive Officer) and CEO (Chief Executive Officer) Member of the Board Compensation Committee Member	12 out of 12 meetings
11	Osamu Fujikawa	Corporate EVP (Representative Executive Officer) and CFO (Chief Financial Officer) Member of the Board	12 out of 12 meetings

No .	Name	Position and Responsibility at the Company	Attendance at Meeting of the Board of Directors
12	Hajime Matsukura	Corporate Secretary (Executive Officer) Member of the Board	12 out of 12 meetings
13	Shinobu Obata	Member of the Board Audit Committee Member	12 out of 12 meetings

Note 1. As for Messrs. Harufumi Mochizuki, Joji Okada and Yoshihito Yamada, attendance at meeting of the Board of Directors above shows the number of attendance at the Board of Directors meetings held after the assumption of office as Director on June 22, 2023. Ms. Kyoko Okada and Mr. Shinobu Obata served as Audit & Supervisory Board Member (KANSAYAKU) until the close of the 185th Ordinary General Meeting of Shareholders held on June 22, 2023; thus, the presentation of their attendance at the Board of Directors meetings includes the number of meetings they attended (3 meetings) as Audit & Supervisory Board Member (KANSAYAKU).

No.	Name	The attributes of the candidates for Directors			Particular area that the Company expects for the candidates for Directors to have for Directors								Planned appointments as members of committees		
		Independent director	Non-executive	Gender/ Nationality	Corporate management	Global business	Technology/ Innovation	Sustainability/ ESG	Marketing	Financial accounting/ Investment	Audit/ Legal/ Risk management	Corporate governance	Nominating Committee	Compensation Committee	Audit Committee
1	Christina Ahmadjian	●	●	● (Female, Foreign nationality)		●		●			●	●			
2	Masashi Oka	●	●		●	●				●	●	●	●	● (Chairperson)	
3	Kyoko Okada	●	●	● (Female)				●			●				●
4	Harufumi Mochizuki	●	●		●	●					●	●	● (Chairperson)		●
5	Joji Okada	●	●			●				●	●	●			● (Chairperson)
6	Yoshihito Yamada	●	●		●	●	●		●			●	●	●	
7	Shinjiro Sato	●	●		●	●	●			●		●		●	●
8	Shiori Nagata	●	●	● (Female)		●		●	●	●					●
9	Takashi Niino		●		●			●				●	●		
10	Takayuki Morita				●	●			●	●		●		●	
11	Osamu Fujikawa						●	●	●	●					
12	Hajime Matsukura							●		●	●	●			
13	Shinobu Obata		●								●	●			●

- Notes: 1. In the Particular area that the Company expects for the candidates for Directors to have for Directors above, ● indicates that the respective candidates have extensive experience and deep insight given the Company's criteria for each career skill, described in Reference: "Policy and Process for Selecting Candidates for Director. This Career Skill Matrix does not cover all the experience and insight possessed by the candidates for Director.
2. Appointments as members or chairpersons of the above committees are to be decided at the Board of Directors meeting to be held after the close of the Meeting.

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
1. Christina Ahmadjian (March 5, 1959)  *Candidate for Outside Director *Female	January 1995	Assistant Professor, Graduate School of Business, Columbia University (until October 2001)	500
	October 2001	Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	
	October 2004	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	
	April 2010	Dean, Graduate School of International Corporate Strategy, Hitotsubashi University	
	April 2012	Professor, Graduate School, Division of Commerce, Hitotsubashi University	
	April 2018	Professor, Graduate School of Business Administration, Hitotsubashi University (until April 2022)	
	June 2021	Member of the Board of the Company (to present)	
	April 2022	Specially Appointed Professor, College of Business Department of Global Business, Rikkyo University (until March 2023)	
	Important Concurrent Positions: Outside Director, Asahi Group Holdings, Ltd. Outside Director, Sumitomo Electric Industries, Ltd. Outside Director, Niterra Co., Ltd.		
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated her as a candidate for Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight relating to global corporate strategies and corporate governance, having served as an outside director at several companies and a professor. Although she has never been involved in management of stock companies or membership companies, the Company has judged that she can perform the duties as Outside Director based on her abundant experience of serving in the positions of outside directors. The Company expects her to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as global business, sustainability/ESG, audit/legal/risk management and corporate governance.		
Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director.			
Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%			
Attendance at Meeting of the Compensation Committee: 4 out of 4 meetings Attendance rate: 100%			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Year served as a Director 3 years		
2. Masashi Oka (July 11, 1955)  *Candidate for Outside Director *Male	April 1979	Joined The Mitsubishi Bank, Ltd. (currently, MUFG Bank, Ltd. "MUFG")	2,000
	June 2004	General Manager and Global Head, Syndicated Finance Division, The Bank of Tokyo-Mitsubishi, Ltd. (currently, MUFG)	
	June 2005	Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd.	
	April 2008	Executive Officer and General Manager, Corporate & Investment Banking Strategy Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG)	
	October 2009	Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
	July 2010	Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and President & CEO, Union Bank, N.A. (currently, MUFG Union Bank, N.A.)	
	May 2012	Managing Executive Officer and CEO for Americas, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and President & CEO, Union Bank, N.A.	
	May 2013	Senior Managing Executive Officer and CEO for Americas, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and President & CEO, Union Bank, N.A.	
	July 2014	Special Advisor to the President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Director & Executive Chairman, MUFG Americas Holdings Corporation and Director & Executive Chairman, MUFG Union Bank, N.A.	
	October 2015	Special Advisor to the President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (until June 2016)	
	May 2016	Counselor, NIKON CORPORATION	
	June 2016	Senior Executive Vice President, CFO and Representative Director, NIKON CORPORATION	
	April 2020	Director, NIKON CORPORATION (until May 2020)	
	June 2020	President & CEO, Representative Director, Sony Financial Holdings Inc. (currently, Sony Financial Group Inc.) and President, Representative Director, Sony Financial Ventures Inc.	
	June 2022	Member of the Board of the Company (to present)	
	June 2023	Senior Advisor, Sony Financial Group Inc. (to present)	
Important Concurrent Positions: Senior Advisor, Sony Financial Group Inc.			
Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight, having served as a director at banks, CFO at an operating company and management in the finance business. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, financial accounting/investment, audit/legal/risk management and corporate governance.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. • Although Mr. Masashi Oka was the President & CEO and Representative Director of Sony Financial Group Inc., the total amount of transactions between the Company and companies in which he has served as executive officer during the past 3 fiscal years is less than 1% of the net sales of either party.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
	Attendance at Meeting of the Nominating Committee: 5 out of 5 meetings Attendance rate: 100%		
	Attendance at Meeting of the Compensation Committee: 4 out of 4 meetings Attendance rate: 100%		
	Year served as a Director 2 years		
3. Kyoko Okada (July 26, 1959)  *Candidate for Outside Director *Female	April 1982 October 2011  October 2012  April 2015  June 2015  June 2022  June 2023	Joined Shiseido Company, Limited General Manager, Corporate Culture Department, Shiseido Company, Limited General Manager, Corporate Culture Department and Group Leader for the 150-Year History Compilation Project, Shiseido Company, Limited General Manager, Executive Section, General Affairs Department, Shiseido Company, Limited Audit & Supervisory Board Member (Full-time), Shiseido Company, Limited (until March 2019) Audit & Supervisory Board Member (KANSAYAKU) of the Company Member of the Board of the Company (to present)	0
Important Concurrent Positions: Outside Audit & Supervisory Board Member, Daio Paper Corporation Outside Director, JACCS CO., LTD.			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated her as a candidate for Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight, having served as an outside director and audit & supervisory board member at numerous companies. The Company expects her to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as sustainability/ESG and audit/legal/risk management.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
	Attendance at Meeting of the Audit Committee: 11 out of 11 meetings Attendance rate: 100%		
	Year served as a Director 1 year		
4. Harufumi Mochizuki (July 26, 1949)  *Candidate for Outside Director *Male	April 1973	Joined Ministry, International Trade and Industry of Japan	2,000
	July 2002	Director-General for Commerce and Distribution Policy, Minister’s Secretariat, Ministry of Economy, Trade and Industry of Japan, “METI”	
	July 2003	Commissioner, Small and Medium Enterprise Agency, METI	
	July 2006	Commissioner, Agency for Natural Resources and Energy, METI	
	July 2008	Vice-Minister of Economy, Trade and Industry of Japan	
	July 2010	Retired from METI	
	August 2010	Special Advisor to the Cabinet of Japan (until November 2011)	
	October 2010	Senior Advisor to the Board, Nippon Life Insurance Company (until April 2013)	
	June 2013	President and CEO, Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.	
	June 2023	Senior Adviser, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (to present)	
	June 2023	President, Center for Information on Security Trade Control (to present)	
	June 2023	Member of the Board of the Company (to present)	
	Important Concurrent Positions: External Board Director. HAZAMA ANDO CORPORATION		



Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight, having served as a government official, management of a company and chairman of the board of directors at a listed company. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, audit/legal/risk management and corporate governance.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. • Although Mr. Harufumi Mochizuki was the President and CEO and Representative Director of Tokyo Small and Medium Business Investment & Consultation Co., Ltd., there are no transactions between the Company and companies in which he has served as executive officer during the past 3 fiscal years.		
	Attendance at Meeting of the Board of Directors: 9 out of 9 meetings Attendance rate: 100%		
	Attendance at Meeting of the Nominating Committee: 5 out of 5 meetings Attendance rate: 100%		
	Attendance at Meeting of the Audit Committee: 11 out of 11 meetings Attendance rate: 100%		
	Year served as a Director 1 year		
	5. Joji Okada (October 10, 1951)  *Candidate for Outside Director *Male	April 1974 June 2011  April 2012  April 2014  April 2015 June 2015  November 2017  June 2023	
Important Concurrent Positions: Outside Audit and Supervisory Board Member, Japan Airlines Co., Ltd.			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight, having served as a CFO and Audit & Supervisory Board Member (Full-time) at a general trading company, and as Chairperson of The Japan Audit & Supervisory Board Members Association. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as global business, financial accounting/investment, audit/legal/risk management and corporate governance.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director.		
	Attendance at Meeting of the Board of Directors: 9 out of 9 meetings Attendance rate: 100%		
	Attendance at Meeting of the Audit Committee: 11 out of 11 meetings Attendance rate: 100%		
	Year served as a Director 1 year		
6. Yoshihito Yamada (November 30, 1961)  *Candidate for Outside Director *Male	April 1984  June 2008  March 2010  June 2010  June 2011  June 2013  April 2023 June 2023  June 2023	Joined OMRON Tateisi Electronics Co. (currently, OMRON Corporation)  Executive Officer, OMRON Corporation and President and CEO, OMRON HEALTHCARE Co., Ltd  Senior General Manager of Corporate Strategic Planning H.Q., OMRON Corporation  Managing Executive Officer, OMRON Corporation  Representative Director, President, OMRON Corporation  Representative Director, President and CEO, OMRON Corporation  Representative Director, OMRON Corporation  Chairman, Chair of the Board of Directors, OMRON Corporation (to present)  Member of the Board of the Company (to present)	0
Important Concurrent Positions: Chairman, Chair of the Board of Director, OMRON Corporation			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight, having served as a management of a manufacturing company. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, technology/innovation, marketing and corporate governance.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. • Although Mr. Yoshihito Yamada was the Representative Director of OMRON Corporation, the total amount of transactions between the Company and companies in which he has served as executive officer during the past 3 fiscal years is less than 1% of the net sales of either party.		
	Attendance at Meeting of the Board of Directors: 9 out of 9 meetings Attendance rate: 100%		
	Attendance at Meeting of the Compensation Committee: 4 out of 4 meetings Attendance rate: 100%		
	Year served as a Director 1 year		
7. Shinjiro Sato (July 19, 1960)  *New Candidate *Candidate for Outside Director *Male	April 1984  February 1999  June 2004 June 2010  October 2011  June 2012 June 2014  April 2015  April 2017 April 2024	Joined Toa Nenryo Kogyo K.K. (currently ENEOS Corporation) Joined Asahi Arthur Andersen Ltd. (currently PwC Japan Group) Joined Terumo Corporation Executive Officer, General Manager of Corporate Planning Dept., Terumo Corporation Executive Officer, Group President of Cardiac and Vascular Business Group, Terumo Corporation Senior Executive Officer, Terumo Corporation Director and Senior Executive Officer, Terumo Corporation Director and Managing Executive Officer, Terumo Corporation President and CEO, Terumo Corporation Director and Corporate Advisor, Terumo Corporation (to present)	1,000
Important Concurrent Positions: Director and Corporate Advisor, Terumo Corporation (Scheduled for retirement and appointment as Corporate Advisor, Terumo Corporation, June 2024)			

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated him as a candidate for Outside Director considering that he has superior character, insight and high ethical standards. In addition, he would sympathize with the NEC Way and act with strong will to realize it, and he has extensive experience and deep insight as a strategy consultant and management of a manufacturing company. The Company expects him to supervise the business execution and provide advice on management based on his extensive experience and deep insight especially relating to such areas as corporate management, global business, technology/innovation, financial accounting/investment and corporate governance.		
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of him as an independent Director. • Although Mr. Shinjiro Sato was the President and CEO of Terumo Corporation, the total amount of transactions between the Company and companies in which he has served as executive officer during the past 3 fiscal years is less than 1% of the net sales of either party.		
8. Shiori Nagata (March 20, 1978)  *New Candidate *Candidate for Outside Director *Female	April 2000  June 2004 January 2007 September 2009  September 2014 January 2015  April 2020  June 2020  April 2024	Joined Deloitte Tohmatsu Consulting Co., Ltd. (currently, Deloitte Tohmatsu Consulting LLC)  Joined Tohato, Inc.  Joined Unison Capital, Inc.  Joined Innovation Network Corporation of Japan, Co., Ltd. (currently, Japan Investment Corporation)  Joined Yanmar Holdings Co., Ltd. Representative Director and President, Yanmar Marine International Co., Ltd. (until March 2020) Chief Strategy Officer, Yanmar Holdings Co., Ltd. Director and Chief Strategy Officer, Yanmar Holdings Co., Ltd. Director, Yanmar Holdings Co., Ltd. (to present)	0
	Important Concurrent Positions: Director, Yanmar Holdings Co., Ltd. (Scheduled for retirement, June 2024)		
	Reasons for Nomination of a Candidate and Outline of Expected Roles: The Company has nominated her as a candidate for Outside Director considering that she has superior character, insight and high ethical standards. In addition, she would sympathize with the NEC Way and act with strong will to realize it, and she has extensive experience and deep insight as a strategy consultant, in business restructuring, and as an officer of an operating company. The Company expects her to supervise the business execution and provide advice on management based on her extensive experience and deep insight especially relating to such areas as global business, sustainability/ESG, marketing and financial accounting/investment.		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Notice relating to Independence of Candidate for Outside Director: • The Company has notified the Tokyo Stock Exchange, on which the Company lists its shares, of her as an independent Director. • Although Ms. Shiori Nagata is a Director of Yanmar Holdings Co., Ltd., the total amount of transactions between the Company and companies in which she has served as executive officer during the past 3 fiscal years is less than 1% of the net sales of either party.		
9. Takashi Niino (September 8, 1954)  *Male	April 1977 April 2004  April 2005  April 2006  April 2008  August 2008 April 2010 June 2011 July 2011  April 2012  April 2016  April 2021  June 2022	Joined the Company Executive General Manager, 2nd Solutions Sales Operations Unit Senior General Manager, 3rd Solutions Operations Unit Executive General Manager, Financial Solutions Operations Unit Senior Vice President and Executive General Manager, Financial Solutions Operations Unit Senior Vice President Executive Vice President Executive Vice President and Member of the Board Executive Vice President, CSO (Chief Strategy Officer) and Member of the Board Senior Executive Vice President, CSO, CIO (Chief Information Officer) and Member of the Board (Representative Director) President (Representative Director) and CEO (Chief Executive Officer) Vice Chairman of the Board (Representative Director) Chairman of the Board (to present)	17,800
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having been engaged in the management of financial solutions business and NEC Group's management strategies as Senior Executive Vice President, CSO, CIO and Member of the Board (Representative Director), and afterwards, having been engaged in the management of the Company as President (Representative Director) since 2016 and as Vice Chairman of the Board (Representative Director) since April 2021, as well as in his position of Chairman of the Board since June 2022. The Company has nominated him as a candidate for Director in the determination that he is appropriate to supervise overall management and to contribute to the Company's sustainable growth and improvement of the Company's corporate value, and to strengthen the NEC Group's corporate governance.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	Attendance at Meeting of the Nominating Committee: 5 out of 5 meetings Attendance rate: 100%		
	Year served as a Director 13 years		
10. Takayuki Morita (February 5, 1960)  *Male	April 1983 April 2002 April 2006  April 2008 July 2011 April 2016  June 2016  April 2018  June 2018  April 2021  June 2023	Joined the Company General Manager, Business Development Division Senior Vice President and Executive General Manager, Corporate Business Development Unit Senior Vice President Executive Vice President Executive Vice President and CGO (Chief Global Officer) Executive Vice President, CGO and Member of the Board Senior Executive Vice President and Member of the Board (Representative Director) Senior Executive Vice President, CFO (Chief Financial Officer) and Member of the Board (Representative Director) President (Representative Director) and CEO (Chief Executive Officer) President (Representative Executive Officer), CEO and Member of the Board (to present)	8,200
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having had been engaged in the management of NEC Group’s global business, NEC Group’s accounting and financial strategies, NEC Group’s management strategies and M&A as Senior Executive Vice President, CFO and Member of the Board (Representative Director) and afterwards, having been engaged in the management of the Company as President (Representative Director) and CEO since April 2021 and currently as President (Representative Executive Officer), CEO and Member of the Board. The Company has nominated him as a candidate for Director in the determination that he is appropriate to supervise overall management and to contribute to the Company’s sustainable growth and improvement of the Company’s corporate value, and to lead the Company’s transformation into social value innovator.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
	Attendance at Meeting of the Compensation Committee: 4 out of 4 meetings Attendance rate: 100%		
	Year served as a Director 8 years		

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
11. Osamu Fujikawa (May 18, 1965)  *Male	April 1988	Joined the Company	6,000
	April 2014	Department Manager, Corporate Business Development Division	
	April 2017	Senior Vice President	
	April 2021	Executive Vice President and CFO (Chief Financial Officer)	
	June 2022	Executive Vice President, CFO and Member of the Board (Representative Director)	
	April 2023	Corporate EVP, CFO and Member of the Board (Representative Director)	
	June 2023	Corporate EVP (Representative Executive Officer), CFO and Member of the Board (to present)	
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having been engaged in the financial solutions business and new business strategies, and afterwards, having been in charge of the NEC Group’s new business development strategies as Senior Vice President, as well as in charge of the NEC Group’s accounting, financial strategy, management strategy and M&As as Executive Vice President and CFO since April 2021 and currently as Corporate EVP (Representative Executive Officer), CFO and Member of the Board. The Company has nominated him as a candidate for Director in the determination that he is appropriate to supervise overall management and to implement strategies to improve the Company’s growth and performance records.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
	Year served as a Director 2 years		
12. Hajime Matsukura (December 12, 1961)  *Male	April 1985	Joined the Company	9,400
	April 2005	General Manager, Marketing Planning Division	
	April 2006	Assistant Executive General Manager, Business Development Unit	
	April 2008	General Manager, Corporate Strategy Division	
	April 2014	Senior Vice President and President (Representative Director) of NEC Management Partner, Ltd. (currently, NEC Business Intelligence, Ltd.)	
	April 2017	Executive Vice President and CSO (Chief Strategy Officer)	
	June 2017	Executive Vice President, CSO and Member of the Board	
	April 2018	Executive Vice President, CSO, CHRO (Chief Human Resources Officer) and Member of the Board	
	April 2019	Executive Vice President, CHRO and Member of the Board	
	April 2022	Executive Vice President, CHRO, CLCO (Chief	

Name (Date of Birth)	Brief Employment History		Number of the Company's Shares Held
	April 2023	Legal & Compliance Officer) and Member of the Board	
	June 2023	Corporate Secretary and Member of the Board	
		Corporate Secretary (Executive Officer) and Member of the Board (to present)	
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having been engaged in the management of corporate strategies at the Company’s corporate departments and in NEC Group’s operational reform as President (Representative Director) of NEC Management Partner, Ltd. (currently, NEC Business Intelligence, Ltd.), as well as NEC Group’s culture transformation, human resources strategies and legal & compliance strategies as Executive Vice President, CHRO, CLCO and Member of the Board, and afterwards, having been in charge of promoting corporate governance reform as Corporate Secretary (Executive Officer) and Member of the Board. The Company has nominated him as a candidate for Director in the determination that he is appropriate to supervise overall management and to lead corporate governance reform for NEC Group’s growth.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings Attendance rate: 100%		
	Year served as a Director 7 years		
13. Shinobu Obata (June 7, 1961)  *Male	April 1985	Joined the Company	3,600
	April 2013	General Manager, Legal Division	
	April 2017	Senior Vice President and CCO (Chief Compliance Officer)	
	May 2018	Senior Vice President, CCO and General Manager, Internal Control Division	
	April 2019	Senior Vice President and CLCO (Chief Legal and Compliance Officer)	
	April 2022	Advisor to the President	
	June 2022	Audit & Supervisory Board Member (KANSAYAKU)	
	June 2023	Member of the Board (to present)	
	Reasons for Nomination of a Candidate: He has extensive experience and sufficient performance records, having been engaged in legal and compliance duties at the Company’s corporate departments, and in legal and compliance strategies across the NEC Group as Senior Vice President and CLCO, as well as in his position of Audit & Supervisory Board Member (KANSAYAKU) since June 2022, and Member of the Board since June 2023. The Company has nominated him as a candidate for Director in the determination that he is appropriate to supervise overall management from his experience and insight.		
	Attendance at Meeting of the Board of Directors: 12 out of 12 meetings		



Name (Date of Birth)	Brief Employment History	Number of the Company's Shares Held
	Attendance rate: 100%	
	Attendance at Meeting of the Audit Committee: 11 out of 11 meetings Attendance rate: 100%	
	Year served as a Director 1 year	

Notes: 1. "Number of the Company's shares Held" indicates the number of shares held as of March 31, 2024.

- The Company has entered into agreements with 8 Outside Directors, Messrs. Masashi Oka, Harufumi Mochizuki, Joji Okada and Yoshihito Yamada and Mss. Christina Ahmadjian and Kyoko Okada, along with Messrs. Takashi Niino and Shinobu Obata, who are not executive directors, as stipulated in Article 427 (1) of the Companies Act (the "Liabilities Limitation Agreements"). The Company intends to extend the Liabilities Limitation Agreement with each when they are re-elected. In addition, the Company intends to conclude the similar agreement with both Outside Director candidates, Mr. Shinjiro Sato and Ms. Shiori Nagata, when they are elected. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Article 423 (1) of the Companies Act to the higher amount of 20 million yen or the amount provided in laws and regulations on the condition that they perform their duties as Directors in good faith and without gross negligence.
- The Company has entered into indemnity agreements with 11 Directors, Messrs. Masashi Oka, Harufumi Mochizuki, Joji Okada, Yoshihito Yamada, Takashi Niino, Takayuki Morita, Osamu Fujikawa, Hajime Matsukura and Shinobu Obata and Mss. Christina Ahmadjian and Kyoko Okada, as stipulated in Article 430-2 (1) of the Companies Act. Under such agreements, the Company shall indemnify the expenses set forth in Item 1 of such Paragraph and the losses set forth in Item 2 of such Paragraph to the extent stipulated by laws and regulations. Furthermore, the Company intends to extend the agreement with each when they are re-elected. In addition, the Company intends to conclude the similar agreement with both Mr. Shinjiro Sato and Ms. Shiori Nagata when they are elected. The outline of the indemnity agreements is that in order to ensure that the appropriateness of the execution of duties by each Director is not impaired, the indemnification by the Company is not applied to certain cases where such indemnification is inappropriate, and the Company may demand return from a Director of all or part of the amount of the indemnification if, after payment, it is found that the indemnification was inappropriate.
- The Company has entered into a D&O (directors, corporate auditors and officers) liability insurance contract as stipulated in Article 430-3 (1) of the Companies Act with an insurance company, under which 11 candidates for Director, Messrs. Masashi Oka, Harufumi Mochizuki, Joji Okada, Yoshihito Yamada, Takashi Niino, Takayuki Morita, Osamu Fujikawa, Hajime Matsukura and Shinobu Obata and Mss. Christina Ahmadjian and Kyoko Okada are the insured. If the reelection of each is approved, each person will continue to be insured under the insurance contract. In addition, when Mr. Shinjiro Sato and Ms. Shiori Nagata are elected as a Director of the Company, they will also become the insured of the insurance contract. The outline of the insurance contract is as described in "3. (6) 'Outline of D&O Liability Insurance Contract'" in the Business Report. The Company plans to renew the insurance contract with substantially the same contents in October 2024.

(Reference: "Independence Criteria for Outside Directors"):

The Company declares that an Outside Director who is not fallen under any of the following description is independent of the Company.

- Presently or at any time within the past three years, any of his or her relative within the second degree of relationship was an important executing person at the Company or the Company's Group subsidiary.
- Presently or at any time within the past three years, the person is or was a person executing the operations ("executing person") of a major business partner\*1, or any of his or her relative within the second degree of relationship is or

was an executing person at a major business partner (if such a person holds or held a position equal to an important executing person at the Company).

3. In any one of the past three fiscal years, the person or any of his or her relative within the second degree of relationship has received financial compensation of 10 million yen or more (excluding remuneration for Directors or Audit & Supervisory Board Members (KANSAYAKU)) from the Company.
4. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has belonged to the Accounting Auditors of the Company.
5. Presently or at any time within the past three years, the person or any of his or her relative within the second degree of relationship has been an executing person of an organization that has received a significant amount of donation from the Company.\*2

\*1 Major business partner:

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

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

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

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

#### 1. Policy for Selecting Candidates for Director

The Board of Directors is responsible for overseeing the execution of duties by executive officers as well as guiding the direction of management through deliberation of important matters related to the Company's basic management policy. To effectively fulfill their roles and responsibilities, the Board of Directors is comprised with consideration given to the balance between diversity, in such factors as career background, specialist field, internationality and gender, and appropriate size. In addition, from the viewpoint of ensuring independence, the majority of Directors shall consist of independent Outside Directors. The points the Company considers when selecting candidates for Director are as follows:

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

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

In order to ensure and improve the effectiveness of the Board of Directors, the Company has examined and formulated the career background and skills particularly expected of Directors. Aiming to ensure the functioning of Board of Directors reforms after the transition to a Company with a Nominating Committee, etc., the Company has defined the following eight skills and clearly specified the details of each skill.

The Company regularly confirms the sufficiency level of the Board of Directors as a whole for the career background and skills particularly expected of Directors based on the Career Skill Matrix. Based on perspectives such as lacking career background and skills and diversity, the Company makes a list to identify a broad range of candidates for Director, which is used for deliberations for election of candidates.

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

Skills	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of operating companies
Global business	Experience as chief executive officer or department head in multinational companies or specialized knowledge on global markets
Technology/Innovation	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation, or experience or specialized knowledge on new business creation and market innovation
Sustainability/ESG	Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management
Marketing	Experience as head in the marketing or brand strategy department or the sales department in operating companies, or specialized knowledge on business-to-business transactions and marketing
Financial accounting/Investment	Experience as chief financial officer of operating companies, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Audit/Legal/Risk management	Risk management experience in accounting, legal affairs, technology, cybersecurity, etc. in operating companies, or experience as an audit committee member, audit & supervisory board member, or department head in auditing division, or specialized knowledge on international and domestic legal affairs or geopolitics
Corporate Governance	Specialized knowledge on recent global corporate governance practices, or experience and practical knowledge of implementing governance reforms at operating companies

## **BUSINESS REPORT**

(For the period from April 1, 2023 to March 31, 2024)

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

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

##### **Overview**

During the fiscal year ended March 31, 2024, the global economy saw the pace of improvement moderate due to elevated inflation and the effects of monetary tightening policies already in place, mainly in Europe and the United States. The Japanese economy also saw the pace of improvement moderate, especially in private demand, due to the impacts of inflation and other factors.

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

In terms of “Strategy,” the NEC Group has revised its operating segments to “IT Services Business” and “Social Infrastructure Business” in April 2023, and is now implementing business under this new organization.

In the “IT Services Business” in Japan, the Company expanded the business related to “NEC Digital Platform,” a common platform that brings together the Company’s strengths, and grew the business providing consulting driven services to support strategy concept formulation through implementation and operation from end to end (Consulting-based business) amid the continued steady IT investments by customers and elevated demand in the DX (Digital Transformation) area. Regarding the NEC Digital Platform, in terms of business strategy for the particular growth area of generative artificial intelligence (AI), in July 2023, the Company announced development and launch of its own generative AI, and in November 2023, began joint verification with Sagami City. In December 2023, the Company named this generative AI “cotomi” and announced the further strengthening of its functionality and expansion. Regarding the Consulting-based business, the Company’s subsidiary, ABeam Consulting Ltd. took the lead in expanding the value co-creation business, including creating transformative themes and roadmaps tailored to customers’ industry and management agenda. Additionally, the Company increased its headcount of engineers in DX area to more than 10,000, double the headcount as of March 31, 2021. In the overseas “IT Services Business” (digital government and digital finance), in June 2023, the Company’s subsidiary, Avaloq Group AG entered into a strategic partnership with BlackRock, Inc., an American asset management company. This partnership has enabled the NEC Group to provide additional value to its customers.

Within “Social Infrastructure Business,” in the telecom services business, with regard to global 5G, the Company was selected as a virtualized radio access network (vRAN) vendor for nationwide 5G commercial network services by NTT DoCoMo, Inc., while developing business opportunities as for 5G base stations in Japan and shifting to high-value-added businesses centered on software services. Additionally, in the overseas 5G domain, profitability improved as a result of efforts to improve financial soundness by thoroughly controlling costs. In the aerospace and national security domain, the Company is acquiring more projects amid the rising defense budget of the Japanese government against the backdrop of growing awareness of national security, and future growth is expected.

The Company is working on the development of new businesses that will be the next pillar. In the healthcare and life sciences business, the Company expanded collaboration with two companies, Transgene SA of France, a biotechnology company, and BostonGene Corporation of the United States, a leading company in AI-based molecular and immune profiling, aimed at the randomized Phase I/II trial of an individualized therapeutic vaccine for patients with head and neck cancers. In addition, for a digital healthcare service called

“FonesVisuas”, the Company added and launched three new test items: “predicting the risk of developing dementia within 5 years from the test date,” “predicting the risk of developing chronic renal failure within 4 years,” and “the current state of the body due to the effects of smoking.” In the agriculture area, partnering with Sumitomo Corporation, the Company plans to expand global sales of “CropScope,” a service supporting the cultivation of agricultural crops with AI, by the end of 2024 to support the stable production of food using technology.

In regard to corporate governance, the Company transitioned to a Company with a Nominating Committee, etc. with the aim of strengthening the oversight function of the Board of Directors and accelerating timely decision-making and business execution by delegating substantial authority from the Board of Directors to Executive Officers. Additionally, in March 2024, the Company sold some of its shareholdings in listed subsidiary, Japan Aviation Electronics Industry, Limited, removing it from the scope of consolidation.

Regarding “Culture,” as measures based on the “Mid-term Management Plan 2025,” the Company mainly instituted personnel system revisions to transition to “job-based human resource management,” accelerated “Inclusion and Diversity” and upgraded management infrastructure. The Company introduced job-based human resource management for all employees in April 2024, but ahead of this, it was introduced for senior directors and other upper levels of management in the fiscal year ended March 31, 2024. Through this, the Company has promoted filling each position in conformity with “the right time, the right place and the right person,” while a mechanism was established and groundwork laid for supporting the career autonomy of employees. In terms of “Inclusion and Diversity,” with the aim of becoming a company where diverse human resources are playing active roles, the Company is promoting the hiring of mid-career professionals, female, and foreign nationals, and in particular, the ratio of female and foreign national Directors and other officers has increased by about 10 percentage points over the past two years (Note). With regard to management infrastructure, the Company has revamped its core internal IT systems as a flagship and started operating functions in succession from the fiscal year ended March 31, 2024. As a result, the Company has standardized and systematized the negotiation process company-wide and improved operations on the negotiation phase. In addition, the Company is taking the lead in tackling issues and promoting reforms based on the concept of “Client Zero,” in which the Company implements, as the zeroth client, cutting-edge technology, such as the NEC Group’s world-class biometric authentication technology and digital IDs for accessing offices, logging in to business PCs, making payments at in-house kiosks, and utilizing generative AI in various operations. The Company would like to provide experiences gained through such implementation as a reference point to its customers and society.

In order to communicate the Company’s vision for future society as outlined in “NEC 2030VISION,” as part of Thought Leadership activities of the Company aimed at creating new value and implementing it in society together with stakeholders, the Company participated in the Davos Forum in Switzerland, and enhanced systems for the Institute for the International Socio-Economic Studies, the NEC Group’s think tank and published a white paper on the NEC Group’s focus areas, thereby accelerating the creation of shared sympathies in the future and contributing to social implementation of growth businesses.

Through these efforts, as well as ongoing communication between executives and employees, the engagement score set as an indicator in the “Mid-term Management Plan 2025” has improved from 25% in the fiscal year ended March 31, 2021 to 39%. Furthermore, in the “Mid-term Management Plan 2025”, the Company set a goal of increasing the engagement score to 50%, which roughly corresponds to the top 25th percentile globally.

The NEC Group recorded consolidated revenue of 3,477.3 billion JPY for the fiscal year ended March 31, 2024, an increase of 164.2 billion JPY (5.0%) year on year. This increase was due to increased revenue in IT Services Business and Social Infrastructure Business.

Regarding profitability, operating profit increased by 17.6 billion JPY year on year, to an operating profit of 188.0 billion JPY, mainly due to increased revenue. Adjusted operating profit increased by 18.0 billion JPY year on year, to an adjusted operating profit of 223.6 billion JPY. Non-GAAP operating profit increased by 30.5 billion JPY year on year, to a Non-GAAP operating profit of 227.6 billion JPY.

Profit before income taxes was a profit of 185.0 billion JPY, a year-on-year increase of 17.3 billion JPY, mainly due to increased operating profit.

For this Business Period, the Company declared an annual dividend of 110 JPY per share of common stock (interim dividend of 55 JPY per share).

Net profit attributable to owners of the parent was a profit of 149.5 billion JPY, an increase of 35.0 billion JPY year on year, mainly due to increased profit before income taxes. Non-GAAP profit attributable to owners of the parent was a profit of 177.8 billion JPY, an increase of 45.0 billion JPY year on year.

For this Business Period, the Company declared an annual dividend of 120 JPY per share of common stock (interim dividend of 60 JPY per share).

Note: The ratio of female and foreign nationals serving as Directors, Audit & Supervisory Board Members (KANSAYAKU), and Corporate Officers as of April 1, 2021 is compared with the ratio of female and foreign nationals serving as Directors, Executive Officers, Corporate SEVP, Corporate EVP, and Corporate SVP as of July 1, 2023.

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

The NEC Group's primary business consists of two segments: the IT Services Business and Social Infrastructure Business. The followings are business outline, major customers and a review of the financial results for each segment of the NEC Group for this Business Period.

Note : The Company has revised its reportable segments in this Business Period based on a new organization structure effective as of April 1, 2023. Under the former organization structure, The NEC Group had five reporting segments: the Public Solutions Business, Public Infrastructure Business, Enterprise Business, Network Services Business and Global Business. Figures for the previous fiscal year have been restated to conform with the new segments.

#### **IT Services Business**

Business Outline	
●	Systems Integration (Systems Implementation, Consulting), Maintenance and Support, Outsourcing / Cloud Services, System Equipment, Software Services
Major Customers	
●	Domestic: Central and Local Governments, Financial and Industrial Sectors, Fire and Disaster Prevention, Broadcasting, and Electric Power Domains
●	International: National and Local Governments, Financial Sector

In the IT Services Business, revenue was 1,915.1 billion JPY, an increase of 160.2 billion JPY (9.1%) year on year, mainly due to strong sales for the enterprise and the government/public sectors.

Adjusted operating profit (loss) increased by 40.1 billion JPY year on year, to an adjusted operating profit of 208.1 billion JPY, mainly due to increased sales and higher profitability in system implementation.

## Social Infrastructure Business

Business Outline
<ul style="list-style-type: none"><li>● Telecommunications Services: Network Infrastructure (Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Submarine Systems), Software and Services for Telecom Operators (OSS / BSS*)</li><li>● Aerospace and Defense: System Equipment, Systems Integration (Systems Implementation, Consulting), Maintenance and Support</li></ul> <p>*OSS: Operation Support System, BSS: Business Support System</p>
Major Customers
<ul style="list-style-type: none"><li>● Telecommunications Services: Domestic and Overseas Telecom Carriers</li><li>● Aerospace and Defense: Central Government, Aerospace Businesses</li></ul>

In the Social Infrastructure Business, revenue was 1,084 billion JPY, an increase of 21.8 billion JPY (2.1%) year on year, mainly due to increased sales for defense.

Adjusted operating profit (loss) increased by 1.6 billion JPY year on year, to an adjusted operating profit of 75.4 billion JPY, mainly due to increased sales, as well as improved profitability in 5G business, despite recording one-time expenses for telecom carriers such as unprofitable projects and allowance for inventories.

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

The total capital expenditures of the NEC Group amounted to 86.7 billion yen during this Business Period. Major capital expenditures include investment in equipment for development and production of defense system and satellite system, equipment for production of submarine cables and equipment related to cloud services.

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

The NEC Group produces technologies that foster existing businesses functioning as a hub for creation of social value and advanced technologies for future businesses that can provide new value to the society, and accelerates commercialization of these technologies.

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

#### (i) Developed and launched the “NEC cotomi” service, a lightweight generative AI with high level of Japanese language performance

Through its unique ingenuity and technology, the Company has developed a lightweight, high-speed, customizable large language model (LLM) with a high level of Japanese language performance that can be operated in both cloud and on-premise environments, with approximately 1/13 the number of parameters compared to top-class LLMs overseas.

Since then, the Company launched the “NEC cotomi” service that strengthens and expands upon this LLM’s performance. The Company continues working to strengthen the “NEC cotomi” service, and has confirmed that it outperformed a group of the world’s top-class LLMs in a comparative evaluation of Japanese dialogue skills (Rakuda\*).

Furthermore, the “NEC cotomi” service can handle up to 300,000 Japanese characters, which is up to 150 times longer than third-party LLMs, enabling it to be used for a wide range of operations involving huge volumes of documents, such as internal and external business documents and internal manuals.

The Company has established the “Generative AI Center” to oversee generative AI technology.

Approximately 100 leading-edge researchers in the area of generative AI from global research centers will be virtually integrated to accelerate the commercialization of research results in generative AI through seamless collaboration between research and business.

\* A benchmark used to assess Japanese language performance.

**(ii) Developed the world's first technology that automatically generates explanatory text from videos using video recognition AI and LLM**

As a technology that supports the use of video to improve operational efficiency and innovate business processes, the Company has developed the technology to integrate LLM and video recognition AI together in order to automatically generate shortened videos and explanatory text from long videos tailored to the user's purpose.

When this technology is used for analyzing drive recorder videos, it is possible to automatically generate text and shortened videos explaining the circumstances of an accident and how it occurred, reducing the time required to prepare accident investigation reports by half, which has been done manually.

In the future, the Company plans to deploy this technology in various use cases, including support for creating nursing and long-term care records, work records at manufacturing and construction sites, data for AI training for autonomous driving, and collection of specific content for broadcast videos and creation of voiceover scripts.

**(iii) Developed an efficient method for identifying lung cancer antigens and antigen-specific T cells**

The Company and Aichi Cancer Center have combined single-cell analysis of lung cancer tumor-infiltrating lymphocytes (TILs) (a method of detecting RNA [ribonucleic acid] for each cell rather than as a mass of tissue and analyzing cell individuality and diversity) with an AI-based antigen prediction system. As a result, the Company and Aichi Cancer Center have developed a method to efficiently identify lung cancer antigens, which are markers of cancer, and immune cells that can specifically recognize these antigens and eliminate tumor cells.

This study is expected to provide useful information for antigen-specific cancer vaccine therapy and engineered T cell therapy.

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

In July, 2023 the Company issued unsecured sustainability-linked bonds, aggregate notional amount 40 billion yen, mainly for the purpose of funding the scheduled redemption of the outstanding straight bonds. The Company has identified "environmental action with a particular focus on climate change (decarbonization)" as one of the themes of the "Materiality," which are management priorities from an ESG perspective. This financing will advance the Company's sustainability management from a financial perspective.

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

(i) As one of NEC Group's portfolio revises, the Company transferred its wireless transport business to Aviat Networks, Inc. of the United States in November 2023.

(ii) The Company applied for the tender offer of treasury shares conducted by Japan Aviation Electronics Industry, Limited and sold a portion of its shareholdings in the said company. As a result, Japan Aviation Electronics Industry, Limited has changed from a consolidated subsidiary of the Company to an equity-method affiliate effective as of March 22, 2024.

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

The NEC Group's Directors, officers and employees are striving as one to carry out its management policies, combining its "(i) Purpose," "(ii) Strategies" and "(iii) Culture." These policies are based on the "Mid-term Management Plan 2025," announced in May 2021.

(i) Purpose



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

#### (ii) Strategy

By converting the NEC Group’s advantage of capabilities in technology into customer value, the NEC Group will achieve growth centered on the “IT Services Business” and “Social Infrastructure Business”.

In the “IT Services Business” in Japan, regarding the NEC Digital Platform, the Company will seek to achieve strong sales growth and profitability by mainly enhancing cloud, modernization, AI (especially generative AI), and security. In the Consulting-based business, through collaboration with ABeam Consulting Ltd., the Company will expand its value co-creation business with customers, starting with upstream consulting. Additionally, with regard to projects driving social transformation, the Company will create new business opportunities by utilizing its strengths and working in tandem with government policies. In the overseas “IT Services Business” (digital government and digital finance), the Company aims to raise profits by growing sales, focus on the highly profitable software/SaaS businesses, and strengthen its competitiveness by expanding offshoring and reducing costs.

Within the “Social Infrastructure Business,” in the telecom services business, the Company aims to improve profitability by promoting the virtualization and openness of the telecommunications domain and expanding high-value-added areas such as software services and DX (digital transformation) of telecommunications carriers. In addition, by strengthening cooperation with partner companies, the Company will expand its sales channels in Japan and overseas. In the aerospace and national security business, the Company will steadily execute the projects already under contracts and expand the business by acquiring new projects.

In new business development, in the AI, healthcare and life sciences business, and business related to carbon neutrality domains, the NEC Group will promote commercialization by collaborating with advanced customers and research institutes, including overseas, and using its new business development know-how and methods cultivated in recent years, based on technologies where the NEC Group has global strengths.

In addition, the NEC Group is steadily improving low profitable business by enhancing monitoring under the leadership of the CFO and making management decisions if improvement plans are not attained, including withdrawing from businesses, aiming to achieve steady growth in each business and profitability exceeding that of competitors.

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

In addition, in order to promote its Purpose management, the NEC Group has identified the “Materiality,” which are management priorities from an ESG perspective. Through the practice of the Materiality, the NEC Group aims to create significant social, environmental, and economic value, and to be continuously included in major ESG indices.

#### (iii) Culture

In order to realize its Purpose, as highly motivated employees are indispensable, the NEC Group is

embarking on people and culture reforms aimed to transform itself into an “Employer of Choice.” In fiscal year ending March 31, 2025, the Company will step up the dissemination of company-wide policies and strategies so that employees understand and embrace the Company’s direction based on the NEC Way and take pride in their work.

Specifically, the Company will hold town hall meetings among the NEC Group companies globally to strengthen communication with management. In addition, by holding chain meetings in which the leaders of each organization convey their organization’s NEC Way practices, the Company will promote employees’ understanding of the direction the organization is heading. The Company will also introduce a job-based human resource management system for all employees in order to respond flexibly and promptly to changes in the market and to provide fair evaluations based on performance, and the Company will promote the realization of “the right time, the right place and the right person,” and further promote diversity as a source of innovation. Furthermore, with regard to management infrastructure, in order to change the very way to work for employees, the NEC Group will strengthen change management which is a management method for leading organizational transformation to success, and promote management to objectively understand events by analyzing and using data and continuously make data-driven decisions in all aspects of business (Data-driven management). This will lead to the NEC Group’s growth and improvement in profitability.

Through these measures, the NEC Group aims to achieve revenue of 3.5 trillion JPY, adjusted operating profit of 300 billion JPY (ratio to revenue: 8.6%), Non-GAAP net profit of 185 billion JPY (ratio to revenue: 5.3%), and EBITDA of 425 billion JPY (ratio to revenue: 12.1%) in the fiscal year ending March 31, 2026.

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

## **(7) Parent Company and Principal Subsidiaries**

### **(i) Parent Company**

The Company has no parent company.

### **(ii) Principal Subsidiaries**

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
	(In millions of yen)	(%)	
NEC Platforms, Ltd.	10,332	100	Development, manufacture, sale and maintenance of information and communications systems equipment etc., and provision of systems integration services etc.
NEC Fielding, Ltd.	9,670	100	Installation and maintenance of computers and network systems
NEC Solution Innovators, Ltd.	8,669	100	Provision of systems integration services etc., and development of software
ABeam Consulting Ltd.	6,200	100	Business consulting

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
NEC Networks & System Integration Corporation	13,122	38.4	Design, construction and maintenance of information and communications systems, and sale of related equipment
	(In U.S. dollars)	(%)	
NEC Corporation of America (U.S.A.)	27	100	Regional representative and supervising operation in North America, sale of computers-related equipment and communications equipment, and provision of systems integration services etc.
	(In thousands of Sterling pound)		
NEC Europe Ltd. (U.K.)	146,507	100	Regional representative and supervising operation in Europe
	(In thousands of Singapore dollars)		
NEC Asia Pacific Pte. Ltd. (Singapore)	80,280	100	Regional representative and supervising operation in Asia, sale of computers-related equipment and communications equipment, and provision of systems integration services etc.
	(In thousands of U.S. dollars)		
NEC (China) Co., Ltd. (People's Republic of China)	178,000	100	Regional representative and supervising operation in Greater China
	(In thousands of Brazilian real)		
NEC Latin America S.A. (Brazil)	328,282	100	Regional representative and supervising operation in Latin America, sale of communications equipment, and provision of systems integration services etc.
	(In U.S. dollars)		
NetCracker Technology Corporation(U.S.A.)	1	100	Development and sale of software
	(In thousands of Swiss franc)		
Comet Holding B.V.(Netherlands)	2,009,032	86.3	Pure holding company Its principal subsidiary is Avaloq Group AG, which owns under its umbrella subsidiaries for which the principal business is development of software and provision of IT services.
	(In thousands of Sterling pound)		

Name of Subsidiary	Capital	Shareholding Ratio	Main Business
Garden Private Holdings Limited(U.K.)	474,520	100	Pure holding company Its principal subsidiary is NEC Software Solutions UK Limited, for which its principal business is development of software and provision of IT services.
	(In thousands of Danish krone)		
Soleil ApS(Denmark)	51	85.4	Pure holding company Its principal subsidiary is KMD A/S, for which its principal business is development of software and provision of IT services.

- Notes:
1. The figure for the Company's shareholding ratio of NEC Networks & System Integration Corporation shown above does not include 19,200,000 (12.9%) shares that were contributed by the Company as part of employee pension trust. The voting rights of such shares will be exercised at the instruction of the Company pursuant to the terms of the trusts indentures.
  2. 13.7% out of total number of the shares issued by Comet Holding B.V. held by a shareholder except the Company is non-voting preferred stock, and the Company's voting ratio in Comet Holding B.V. is 100%.
  3. 14.6% out of total number of the shares issued by Soleil ApS held by a shareholder except the Company is non-voting preferred stock, and the Company's voting ratio in Soleil ApS is 100%.
  4. The Company sold a portion of its shareholdings in Japan Aviation Electronics Industry, Limited. As a result, Japan Aviation Electronics Industry, Limited became an equity-method affiliate of the Company effective as of March 22, 2024 and has been excluded from the list of principal subsidiaries.

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

- (1) **Total Number of Authorized Shares** 750,000,000 shares
- (2) **Total Number of Shares Issued** 272,849,863 shares  
(including treasury stock of 6,063,021 shares)
- (3) **Number of Shareholders** 124,960

### (4) Major Shareholders (Top 10)

(In thousands of shares)

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,658	16.36
Custody Bank of Japan, Ltd. (Trust Account)	19,132	7.17
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	13,023	4.88
JP MORGAN CHASE BANK 385632	12,590	4.72
STATE STREET BANK WEST CLIENT – TREATY 505234	5,658	2.12
Sumitomo Life Insurance Company	5,600	2.10
SSBTC CLIENT OMNIBUS ACCOUNT	5,055	1.90
NEC Employee Shareholding Association	3,751	1.41

JP MORGAN CHASE BANK 385781	3,565	1.34
GOVERNMENT OF NORWAY	3,362	1.26

Notes 1: The Company holds 6,063,021 shares of treasury stock but is excluded from the above list of major shareholders.

2: The shareholding ratio is calculated by excluding the number of treasury stock (6,063,021 shares).

**(5) Classification of Shareholders**

Classification of Shareholders	Shareholding Ratio (%)
Japanese government and local governments	0.00
Financial Institutions	28.68
Securities Companies	1.66
Other Companies	5.94
Foreign Investors	46.74
Japanese Individuals and Others	16.98
Total	100

**(6) Stock granted to Directors and Executive Officers as compensation for performance of duties during this Business Period**

Details of stock granted to Directors and Executive Officers during this Business Period as stock compensation are as follows.

	Number of Shares	Number of people to whom shares granted
Directors (excluding Outside Directors)	29,784	5

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

- (i) At the Board of Directors meeting held on July 28, 2023, the Company approved the disposition of treasury shares by way of third-party allotment in connection with the continuation of the performance-based stock compensation plan using a share settlement trust, and 156,200 shares of treasury stock were allotted to a trust account of the share settlement trust as of August 15, 2023.
- (ii) The Company has introduced a performance-based stock compensation plan for Directors (excluding Outside Directors), Executive Officers and certain employees. In addition, a subsidiary of the Company has also introduced a performance-based stock compensation plan for its Directors using the Company's shares. Under the fixed stock compensation plan for the Company's Directors (excluding Outside Directors) introduced in accordance with the resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019, the Company will not grant new points on or after June 22, 2023, but until 2025, the Company plans to continue the delivery of shares corresponding to the number of points already granted. As of March 31, 2024, a total of 330,900 of the Company's shares are held in a trust account related to a share settlement trust whose beneficiaries are eligible persons under the plans.

**3. Matters related to Directors and Executive Officers**

**(1) Name, Position at the Company, Responsibility and Important Concurrent Positions of Directors and Executive Officers**

**(i) Directors (as of March 31, 2024)**

Name	Position at the Company	Responsibility and Important Concurrent Position
Kuniharu Nakamura	Outside Director	Nominating Committee Member Chairman of the Board of Directors, SUMITOMO CORPORATION Outside Director, Shin-Etsu Chemical Co., Ltd.

Christina Ahmadjian	Outside Director	Compensation Committee Member Outside Director, Asahi Group Holdings, Ltd. Outside Director, Sumitomo Electric Industries, Ltd. Outside Director, Nitterra Co., Ltd.
Masashi Oka	Outside Director	Nominating Committee Member Chairperson of the Compensation Committee Senior Advisor, Sony Financial Group Inc.
Kyoko Okada	Outside Director	Audit Committee Member Outside Audit & Supervisory Board Member, Daio Paper Corporation Outside Director, JACCS CO., LTD.
Harufumi Mochizuki	Outside Director	Chairperson of the Nominating Committee Audit Committee Member External Board Director, HAZAMA ANDO CORPORATION
Joji Okada	Outside Director	Chairperson of the Audit Committee Outside Audit and Supervisory Board Member, Japan Airlines Co., Ltd.
Yoshihito Yamada	Outside Director	Compensation Committee Member Chairman, Chair of the Board of Directors, OMRON Corporation
Takashi Niino	Chairman of the Board	Nominating Committee Member
Takayuki Morita	Director	Compensation Committee Member
Osamu Fujikawa	Director	
Hajime Matsukura	Director	
Shinobu Obata	Director	Audit Committee Member

- Notes: 1. At the 185th Ordinary General Meeting of Shareholders held on June 22, 2023, Messrs. Harufumi Mochizuki, Joji Okada and Yoshihito Yamada were newly elected as Director of the Company.
2. There are no significant transactions or other special relationships between the Company and each company above where Outside Director serves concurrently.
3. The Company has notified Tokyo Stock Exchange, on which the Company lists its shares, of each of Messrs. Kuniharu Nakamura, Masashi Oka, Harufumi Mochizuki, Joji Okada and Yoshihito Yamada, and Mss. Christina Ahmadjian and Kyoko Okada as independent Directors.
4. In order to build an optimal audit system and enhance the effectiveness of audit activities, the Company has selected Mr. Shinobu Obata as a full-time Audit Committee member.
5. Mr. Joji Okada has extensive experience and deep insight as CFO and Audit & Supervisory Board Member (Full-time) at a general trading company and as Chairperson of The Japan Audit & Supervisory Board Members Association. He also has considerable expertise in finance and accounting.
6. At the 185th Ordinary General Meeting of Shareholders held on June 22, 2023, Ms. Kyoko Okada and Mr. Shinobu Obata retired from their positions as Audit & Supervisory Board Members (KANSAYAKU) at the expiration of their terms of office following the Company's transition to a Company with a Nominating Committee, etc., and assumed their positions as Directors on the same day.
7. The name of Directors and Audit & Supervisory Board Member (KANSAYAKU) who retired during this Business Period, their position at the time of the retirement and the date and reasons of the retirement are as

follows:

Name	Position at the time of retirement	Date of retirement (reason)
Noriko Iki	Outside Director	June 22, 2023 (expiration)
Masatoshi Ito	Outside Director	June 22, 2023 (expiration)
Motoo Nishihara	Director	June 22, 2023 (expiration)
Nobuo Nakata	Outside Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2023 (expiration)
Masami Nitta	Outside Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2023 (expiration)
Nobuhiro Odake	Audit & Supervisory Board Member (KANSAYAKU)	June 22, 2023 (expiration)

8. On April 1, 2024, the positions, responsibilities and important concurrent position of Directors were changed as follows:

Name	Position after change	Responsibility and Important Concurrent Position after change
Kuniharu Nakamura	Outside Director	Nominating Committee Member Director, Special Adviser, SUMITOMO CORPORATION Outside Director, Shin-Etsu Chemical Co., Ltd.

**(ii) Executive Officers (as of March 31, 2024)**

Name	Position at the Company	Responsibility and Important Concurrent Position
Takayuki Morita	Representative Executive Officer, President	CEO (Chief Executive Officer)
Osamu Fujikawa	Representative Executive Officer, Corporate EVP	CFO (Chief Financial Officer)
Hajime Matsukura	Executive Officer Corporate Secretary	In charge of Corporate Governance
Kazuhiro Sakai	Executive Officer Corporate SEVP	Co-COO (Co-Chief Operating Officer)
Masakazu Yamashina	Executive Officer Corporate SEVP	Co-COO (Co-Chief Operating Officer)
Shigehiro Tanaka	Executive Officer Corporate SEVP	In charge of External Relations and Economic and Security Affairs
Toshifumi Yoshizaki	Executive Officer Corporate EVP	CDO (Chief Digital Officer) President of Digital Platform Business Unit Representative Director, President and CEO, NEC Security, Ltd. (retired in April 2024)
Hiroshi Kodama	Executive Officer Corporate EVP	CIO (Chief Information Officer) CISO (Chief Information Security Officer) Managing Director, Corporate IT and Digital Division
Motoo Nishihara	Executive Officer Corporate EVP	CTO (Chief Technology Officer) President of Global Innovation Business Unit

Noritaka Taguma	Executive Officer Corporate EVP	CRO (Chief Risk Officer) CPO (Chief Product Officer) Chairman of the Board, NEC Platforms, Ltd.
Kunikazu Amemiya	Executive Officer Corporate EVP	President of Public Solutions Business Unit
Yutaka Ukegawa	Executive Officer Corporate EVP	President of Cross-Industry Business Unit
Hiroshi Hashimoto	Executive Officer Corporate EVP	President of Enterprise Business Unit
Daisuke Horikawa	Executive Officer Corporate EVP	CHRO (Chief Human Resources Officer) Managing Director, People and Culture Division
Michio Kiuchi	Executive Officer Corporate EVP	President of Telecom Services Business Unit
Hirofumi Nagano	Executive Officer Corporate SVP	President of Aerospace and National Security Business Unit
Yuko Yamamoto	Executive Officer Corporate SVP	CLCO (Chief Legal & Compliance Officer) Managing Director, Legal and Compliance Division
Yasuko Matsumoto	Executive Officer Corporate SVP	CAO (Chief Audit Officer) Managing Director, Group Internal Audit Division Director, ARUHI Corporation (currently, SBI ARUHI Corporation)

Notes:1. The name of Executive Officers who retired during this Business Period, their position at the time of the retirement and the date and reasons of the retirement are as follows:

Name	Position at the time of retirement	Date of retirement (reason)
Akihiko Kumagai	Executive Officer	March 31, 2024 (expiration)
Naoki Yoshida	Executive Officer	March 31, 2024 (expiration)
Shigeki Shimizu	Executive Officer	March 31, 2024 (expiration)

2. On April 1, 2024, the positions, responsibilities and important concurrent position of Executive Officers were changed as follows:

Name	Position after change	Responsibility and Important Concurrent Position after change
Shigehiro Tanaka	Executive Officer Corporate SEVP	CGAO (Chief Government Affairs Officer)
Toshifumi Yoshizaki	Executive Officer Corporate SEVP	CDO (Chief Digital Officer) President of Digital Platform Business Unit
Hiroshi Kodama	Executive Officer Corporate EVP	CIO (Chief Information Officer) Managing Director, Corporate IT and Digital Division
Noritaka Taguma	Executive Officer Corporate EVP	CSCO (Chief Supply Chain Officer) Member of the Board, NEC Platforms, Ltd.
Hirofumi Nagano	Executive Officer Corporate EVP	President of Aerospace and National Security Business Unit
Tomoki Kubo	Executive Officer Corporate SVP	President of DGDF Business Unit Chairman of the Board, Avaloq Group AG Chairman of the Board, Garden Private Holdings Limited Chairman of the Board, KMD A/S



3. On May 1, 2024, the positions, responsibilities and important concurrent position of Executive Officers were changed as follows:

Name	Position after change	Responsibility and Important Concurrent Position after change
Noboru Nakatani	Executive Officer Corporate EVP	CSO (Chief Security Officer) Representative Director, President and CEO, NEC Security, Ltd.

## (2) Remuneration for Directors and Executive Officers

### (i) Company Policy on Remuneration Determination

#### (a) Method for Determining Policy on Remuneration for Directors and Executive Officers

Since the Company has adopted the structure of a Company with a Nominating Committee, etc., the Company's Compensation Committee decides matters related to remuneration for Directors and Executive Officers.

In order to improve objectivity, fairness, and transparency of remuneration for Directors and Executive Officers, the Compensation Committee deliberates by utilizing, as necessary, executive compensation survey data, etc., from an outside third-party professional compensation consulting firm.

#### (b) Basic Policy on Remuneration for Directors and Executive Officers and Remuneration System

##### 1) Basic Policy

The Company's basic policy on remuneration for Directors and Executive Officers is as follows:

- The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
- The remuneration system is linked to the Mid-term Management Plan target indicators and provide incentives for Executive Officers to achieve the management targets indicated in the Mid-term Management Plan.
- As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

##### 2) Remuneration System

Classification	Remuneration System/Level
Directors (excluding Directors concurrently serving as Executive Officer)	Remuneration for Directors shall, in principle, be basic remuneration (Note 1). However, from the viewpoint of increasing shareholder value, inside Directors will be paid mid- to long-term incentive (stock compensation) (Note 2), up to a maximum of approximately 30% of their total remuneration. The level of remuneration shall be determined in accordance with the responsibilities of each Director, taking into consideration the level of remuneration at competing companies, etc.
Executive Officers	Remuneration for Executive Officers consists of basic remuneration, short-term incentive (bonuses) (Note 3) and mid- to long-term incentive (stock compensation). The ratio of each type of remuneration to the amounts of remuneration for individual Executive Officers is shown in the table below. For Directors who concurrently serve as Executive Officers, the remuneration system for Executive Officers shall apply. The level of remuneration and the composition ratio of each type of remuneration shall be determined in accordance with the responsibilities of each Executive Officer, taking into consideration the level and composition ratio of remuneration at competing companies, etc.

Notes: 1. Basic remuneration is a fixed remuneration with the amount paid determined based on market competitiveness

in accordance with the role, authority, and responsibility of each job title.

2. Mid- to long-term incentive (stock compensation) is a variable incentive remuneration linked to the maximization of corporate value, in which the number of shares to be delivered is determined based on an evaluation relative to an index that is aware of shareholder value (stock price appreciation). (In “(2) Remuneration for Directors and Executive Officers,” the term “stock compensation” means mid- to long-term incentive [stock-compensation].)
3. Short-term incentive (bonuses) is a variable incentive remuneration where the payment amount is determined by the degree of achievement of performance targets for each fiscal year linked to the indicators set forth in the Mid-term Management Plan. (In “(2) Remuneration for Directors and Executive Officers,” the term “bonuses” means short-term incentive [bonuses].)

The ratio of each type of remuneration

Job title	Fixed	Variable (performance-linked)	
	Basic remuneration	Short-term incentive (bonuses)	Mid- to long-term incentive (stock compensation)
President (Executive Officer)	33%	33%	33%
Corporate SEVP (Executive Officer)	45%	30%	25%
Corporate EVP (Executive Officer)	45%	30%	25%
Corporate SVP (Executive Officer)	50%	30%	20%
Corporate Secretary (Executive Officer)	60%	25%	15%

Note: The ratios of short-term incentive (bonuses) and mid- to long-term incentive (stock compensation) are calculated based on the standard amount before reflecting performance.

(c) Policy on details of performance indicators used for performance-based remuneration

1) Short-term incentive (bonuses)

Bonuses have two components: a component linked to the degree of achieving targets of key performance indicators set in the Mid-term Management Plan of the NEC Group for each fiscal year (“the Group-wide Performance-based Component”), and a component linked to the degree of achieving targets of the departments for which each Executive Officer is responsible for each fiscal year (“the Department Performance-based Component”). The amount of each bonus is set between 0% and 200% of the standard amount determined by the Compensation Committee for each job title, based on the achievement level of performance targets. (Hereinafter, the portion of the standard amount determined for each job title linked to Group-wide Performance-based Component is referred to as the “Group-wide standard amount,” and the portion linked to Department Performance-based Component is referred to as the “department standard amount.”)

a) Ratio of the Group-wide Performance-based Component and Department Performance-based Component

The ratio of the Group-wide Performance-based Component and the Department Performance-based Component in the standard amount determined for each job title is as follows:

Job title	Group-wide Performance-based Component	Department Performance-based Component	
		Portion linked to budget indicators	Portion linked to Mid-term Management Plan indicators
President (Executive Officer)	100%	-	-

Corporate SEVP (Executive Officer)	60%	20%	20%
Corporate EVP (Executive Officer)	40%	30%	30%
Corporate SVP (Executive Officer)	30%	35%	35%
Corporate Secretary (Executive Officer)	30%	35%	35%

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

For indicators for the Group-wide Performance-based Component, the following three indicators are set as key performance indicators in the Mid-term Management Plan 2025, taking into consideration their appropriateness in measuring the degree of achievement of the Mid-term Management Plan.

Indicator	Allocation ratio	Remarks
EBITDA (amount)	50%	Indicator responsible for the “Strategy” aspect of the Mid-term Management Plan 2025. The allocation ratio is weighted toward EBITDA (amount), in consideration of sustainable growth.
EBITDA (percentage to revenue)	30%	
Engagement score	20%	ESG indicator responsible for the “Culture” aspect of the Mid-term Management Plan 2025.

c) Indicators for the Department Performance-based Component and Reason for Selection

For indicators for the Department Performance-based Component, the following indicators are set, taking into consideration their appropriateness in measuring the degree of achievement of performance targets for each fiscal year in the responsible departments and the degree of progress toward the achievement of the Mid-term Management Plan.

Classification	Indicator	Remarks
Budget indicators	Adjusted operating profit, ROIC, and cash flows, etc.	Evaluates the degree of achievement of targets in the department for which each Executive Officer is responsible during the fiscal year under evaluation.
Mid-term Management Plan indicators	Initiatives for the achievement of the Mid-term Management Plan	The President evaluates the degree of achievement of each initiative in the fiscal year under evaluation, using indicators established through interviews between each Executive Officer and the President.

2) Mid- to long-term incentive (stock compensation)

The number of shares to be granted for stock compensation will be determined in a range from 0% to 150% of the number of shares granted by job title, in accordance with the results of a comparison of the Company’s TSR (Total Shareholder Return) with indices such as the Tokyo Stock Price Index (TOPIX) and peer group companies in order to further clarify the linkage with sustainable growth of corporate value and increase in shareholder value.

Stock compensation covers a period of three continuous fiscal years, and the delivery of shares will be made, in principle, after three years from the beginning of the three fiscal years covered by the stock compensation. However, in consideration of tax payment funds at the time of stock delivery, a certain percentage of the stock compensation will be sold on the market and paid in cash.

Note: In order to promote management that creates shareholder value, inside Directors and Executive Officers are encouraged to own shares of the Company.

a) Calculation Method of the Number of Shares Granted by Job Title

The calculation method of the number of shares granted by job title is as follows:

The number of shares granted by job title = The standard amount of stock compensation by job title (Note)/average value of closing price of the Company shares on the Tokyo Stock Exchange in the previous fiscal year

Note: The standard amount of stock compensation by job title shall be determined by the Compensation Committee in accordance with the job title held during the applicable period.

b) Calculation method for TSR (Total Shareholder Return) valuation

The TSR (Total Shareholder Return) comparison target, allocation ratio and evaluation method are as follows:

Classification	Allocation ratio	Evaluation method
Index comparison	50%	Valuation factor (payment rate) is determined based on the relative superiority of the Company's TSR over the TOPIX growth rate.
Peer group comparison	50%	Valuation factor (payment rate) is determined based on the Company's TSR ranking in the peer group (i.e., competition in the Company's industry, business model, and in the human resources market, etc.).

(d) Certain Restrictions of Remuneration (Return of Remuneration, etc.)

The Company has established certain restrictions that allow for forfeiture (malus) or return (clawback) of beneficial interests in remuneration in the event of the discovery of compliance violations or improper accounting treatment by Directors and Executive Officers, or damage to the value of the Company due to retroactive restatement of financial statements. Such restrictions are set for bonuses and stock compensation, which are performance-based remuneration, and triggering conditions are set for events attributable to the individual and the Company, respectively. Triggering requires deliberation by the Board of Directors and a resolution by the Compensation Committee.

**(ii) Amounts of Remuneration for this Business Period**

Total Amount of remuneration for this Business Period are as follows:

(a) Prior to the transition to a Company with a Nominating Committee, etc. (from April 2023 to June 2023)

	Basic remuneration		Bonus		Stock compensation	
	Headcount	Total amount (In millions of yen)	Headcount	Total amount (In millions of yen)	Headcount	Cost posting relating to the stock compensation (In millions of yen)
Directors (of which Outside Directors)	10 (5)	109 (21)	- -	- -	5 -	7 -
Audit & Supervisory Board Members (KANSAYAKU) (of which Outside Audit & Supervisory Board Members (KANSAYAKU))	5 (3)	28 (13)	- -	- -		

Notes: 1. The Company transitioned from a Company with an Audit & Supervisory Board (KANSAYAKU-KAI) to a Company with a Nominating Committee, etc. at the close of the 185th Ordinary General Meeting of Shareholders held on June 22, 2023. As a result, the above headcount for "Directors

(of which Outside Directors)” indicates the headcount of Directors who were in office between April 1, 2023 and June 22, 2023 (including three Directors who retired at the close of the 185th Ordinary General Meeting of Shareholders).

2. “Audit & Supervisory Board Members (KANSAYAKU) (of which Outside Audit & Supervisory Board Members (KANSAYAKU))” presents the headcount and total amount of remuneration paid to Audit & Supervisory Board Members (KANSAYAKU) who were in office between April 1, 2023 and June 22, 2023 (Audit & Supervisory Board Members (KANSAYAKU) who retired at the close of the 185th Ordinary General Meeting of Shareholders).
3. The maximum monetary compensation for Directors is 1,380,000,000 yen per year (of which 580,000,000 yen for basic remuneration and 800,000,000 yen for bonuses) as approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019. (The number of Directors regarding the resolution are eleven of which five are Outside Directors.)
4. The maximum monetary compensation for Audit & Supervisory Board Members (KANSAYAKU) is 144,000,000 yen per year as approved at the 181st Ordinary General Meeting of Shareholders held on June 24, 2019. (The number of Audit & Supervisory Board Members (KANSAYAKU) regarding the resolution are five of which three are Outside Audit & Supervisory Board Members (KANSAYAKU).)
5. Under the fixed stock compensation plan for Directors (excluding Outside Directors) introduced by resolution of the 181st General Meeting of Shareholders held on June 24, 2019, the maximum amount of money to be contributed to the trust established by the Company is 60,000,000 yen per year, and the maximum number of shares of the Company to be delivered to Directors (excluding Outside Directors) from the trust is 20,000 shares. (The number of Directors [excluding Outside Directors] regarding the resolution are six.)
6. Since the basic remuneration is determined after deliberation by the Compensation Committee based on the remuneration system established by the Board of Directors, the Company’s Board of Directors determines that the amount is in line with the basic policy described in “(i) Company Policy on Remuneration Determination” above. In addition, since the amount of stock compensation has yet to be determined, the amount recorded represents cost posting relating to the stock compensation.

(b) After the transition to a Company with a Nominating Committee, etc. (from July 2023 to March 2024)

	Basic remuneration		Bonus		Stock compensation	
	Headcount	Total amount (In millions of yen)	Headcount	Cost posting relating to the bonus (In millions of yen)	Headcount	Cost posting relating to the stock compensation (In millions of yen)
Directors (of which Outside Directors)	9 (7)	224 (102)	- -	- -	2 -	34 -
Executive Officers	21	613	21	551	21	199

- Notes: 1. The figures above for Directors do not include three Directors who concurrently serve as Executive Officers. Executive Officers who concurrently serve as Directors are paid remuneration as Executive Officers, and this remuneration is listed in the classification of Executive Officers.
2. Since the basic remuneration is determined after deliberation by the Compensation Committee based on the remuneration system established by the Compensation Committee, the Company’s Compensation Committee determines that the amount is in line with the basic policy described in “(i) Company Policy on Remuneration Determination” above. In addition, since the amount of

bonuses and stock compensation has yet to be determined, the amount recorded represents cost posting relating to the bonuses or stock compensation for the fiscal year ended March 31, 2024.

**(iii) Results of performance indicators used to calculate performance-based remuneration (bonuses and stock compensation)**

**(a) Bonuses**

The targets and results of the indicators related to the Group-wide Performance-based Component of bonuses for the fiscal year ended March 31, 2024 are as follows:

Indicator	Target	Results	Target achievement rates	Ratio of Group-wide Performance-based Component
EBITDA (amount)	360.0 billion yen	379.5 billion yen	105.4%	50%
EBITDA (percentage to revenue)	10.7%	10.9%	102.5%	30%
Engagement score	40%	39%	97.5%	20%

Note: The above results are rounded to the nearest 100 million yen, and the target achievement rate is calculated using the results before rounding to the nearest 100 million yen, and then rounded to the first decimal place.

**(b) Stock compensation**

Since the period covered is three fiscal years, the results of the performance indicators for stock compensation for the fiscal year ended March 31, 2024 have not yet been determined.

**(iv) Outline of non-monetary compensation**

Stock compensation is granted as non-monetary compensation. The purpose of the introduction and details thereof are as described in (i) above.

Furthermore, separate from the above stock compensation, in the fiscal year ended March 31, 2024, 29,784 shares were delivered to five persons who served as internal Directors in the fiscal year ended March 31, 2021, pursuant to the performance-based stock compensation plan and the fixed stock compensation plan, where shares corresponding to certain monetary amounts are delivered, introduced by the resolution of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.

**(3) Major Activities of Outside Directors**

Name	Attendance	Major Activities
Kuniharu Nakamura	12 out of 12 meetings of the Board of Directors  5 out of 5 meetings of the Nominating Committee	Attending meetings of the Board of Directors and Nominating Committee, Mr. Kuniharu Nakamura made remarks, including questions and opinions as appropriate, particularly based on his extensive experience and deep insight in the areas of corporate management, global business, sustainability/ESG, marketing, and corporate governance, thereby fulfilling his role expected by the Company.

Christina Ahmadjian	<p>12 out of 12 meetings of the Board of Directors</p> <p>4 out of 4 meetings of the Compensation Committee</p>	<p>Attending meetings of the Board of Directors and Compensation Committee, Ms. Christina Ahmadjian made remarks, including questions and opinions as appropriate, particularly based on her extensive experience and deep insight in the areas of global business, sustainability/ESG, audit/legal/risk management, and corporate governance, thereby fulfilling her role expected by the Company.</p>
Masashi Oka	<p>12 out of 12 meetings of the Board of Directors</p> <p>5 out of 5 meetings of the Nominating Committee</p> <p>4 out of 4 meetings of the Compensation Committee</p>	<p>Attending meetings of the Board of Directors, Nominating Committee, and Compensation Committee, as well as serving as Chairperson of the Compensation Committee, Mr. Masashi Oka made remarks, including questions and opinions as appropriate, particularly based on his extensive experience and deep insight in the areas of corporate management, global business, financial accounting/investment, audit/legal/risk management, and corporate governance, thereby fulfilling his role expected by the Company.</p>
Kyoko Okada	<p>12 out of 12 meetings of the Board of Directors</p> <p>5 out of 5 meetings of the Audit &amp; Supervisory Board (KANSAYAKU-KAI)</p> <p>11 out of 11 meetings of the Audit Committee</p>	<p>Attending meetings of the Board of Directors and Audit Committee, Ms. Kyoko Okada made remarks, including questions and opinions as appropriate, particularly based on her extensive experience and deep insight in the areas of sustainability/ESG, and audit/legal/risk management, thereby fulfilling her role expected by the Company.</p>
Harufumi Mochizuki	<p>9 out of 9 meetings of the Board of Directors</p> <p>5 out of 5 meetings of the Nominating Committee</p> <p>11 out of 11 meetings of the Audit Committee</p>	<p>Attending meetings of the Board of Directors, Nominating Committee, and Audit Committee, as well as serving as Chairperson of the Nominating Committee, Mr. Harufumi Mochizuki made remarks, including questions and opinions as appropriate, particularly based on his extensive experience and deep insight in the areas of corporate management, global business, audit/legal/risk management, and corporate governance, thereby fulfilling his role expected by the Company.</p>
Joji Okada	<p>9 out of 9 meetings of the Board of Directors</p> <p>11 out of 11 meetings of the Audit Committee</p>	<p>Attending meetings of the Board of Directors and Audit Committee, as well as serving as Chairperson of the Audit Committee, Mr. Joji Okada made remarks, including questions and opinions as appropriate, particularly based on his extensive experience and deep insight in the areas of global business, financial accounting/investment, audit/legal/risk management, and corporate governance, thereby fulfilling his role expected by the Company.</p>

Yoshihito Yamada	9 out of 9 meetings of the Board of Directors  4 out of 4 meetings of the Compensation Committee	Attending meetings of the Board of Directors and Compensation Committee, Mr. Yoshihito Yamada made remarks, including questions and opinions as appropriate, particularly based on his extensive experience and deep insight in the areas of corporate management, global business, technology/innovation, marketing, and corporate governance, thereby fulfilling his role expected by the Company.
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Note: Since the Company transitioned from a Company with an Audit & Supervisory Board (KANSAYAKU-KAI) to a Company with a Nominating Committee, etc., at the close of the 185th Ordinary General Meeting of Shareholders held on June 22, 2023, the attendance at each committee meeting is based on the meetings held on or after June 22, 2023. In addition, Ms. Kyoko Okada served as an Audit & Supervisory Board Member (KANSAYAKU) until the close of the 185th Ordinary General Meeting of Shareholders; thus, the presentation of her attendance at the Board of Directors meetings includes the number of meetings she attended as Audit & Supervisory Board Member (KANSAYAKU). As for Messrs. Harufumi Mochizuki, Joji Okada, and Yoshihito Yamada, attendance at meeting of the Board of Directors above shows the number of attendance at the Board of Directors meetings held after the assumption of office as Director on June 22, 2023.

#### **(4) Outline of Liabilities Limitation Agreements**

The Company has entered into agreements with each Outside Directors and Messrs. Takashi Niino and Shinobu Obata, who are not executive directors, as stipulated in Article 427 (1) of the Companies Act. The outline of the Liabilities Limitation Agreements is to limit their liabilities as stipulated in Article 423 (1) of the Companies Act to the higher amount of 20 million yen or the amount provided in laws and regulations on the condition that they perform their duties as Directors in good faith and without gross negligence.

Furthermore, until June 22, 2023, when the Company was a Company with an Audit & Supervisory Board (KANSAYAKU-KAI), the Company had concluded Liabilities Limitation Agreements with Audit & Supervisory Board Members (KANSAYAKU).

#### **(5) Outline of Indemnity Agreements**

The Company has entered into indemnity agreements as stipulated in Article 430-2 (1) of the Companies Act with 12 Directors, Messrs. Kuniharu Nakamura, Masashi Oka, Harufumi Mochizuki, Joji Okada, Yoshihito Yamada, Takashi Niino, Takayuki Morita, Osamu Fujikawa, Hajime Matsukura, and Shinobu Obata, and Mss. Christina Ahmadjian and Kyoko Okada, as well as 15 Executive Officers, Messrs. Kazuhiro Sakai, Masakazu Yamashina, Shigehiro Tanaka, Toshifumi Yoshizaki, Hiroshi Kodama, Motoo Nishihara, Noritaka Taguma, Kunikazu Amemiya, Yutaka Ukegawa, Hiroshi Hashimoto, Daisuke Horikawa, Michio Kiuchi, and Hiroyuki Nagano, and Mss. Yuko Yamamoto, and Yasuko Matsumoto. Under such agreements, the Company shall indemnify the expenses set forth in Item 1 of Article 430-2 (1) and the losses set forth in Item 2 of such Paragraph to the extent stipulated by laws and regulations. Upon retirement or resignation, the term of the indemnity agreements will be terminated. Under this indemnity agreements, in order to ensure that the appropriateness of the execution of duties by each Director and Executive Officer is not impaired, the indemnification by the Company is not applied to certain cases where such indemnification is inappropriate, and the Company may demand return from a Director of all or part of the amount of the indemnification if, after payment, it is found that the indemnification was inappropriate.

Furthermore, the Company had concluded similar indemnity agreements with Messrs. Akihiko Kumagai, Naoki Yoshida, and Shigeki Shimizu, who retired as Executive Officer on March 31, 2024.

#### **(6) Outline of D&O Liability Insurance Contract**

The Company has entered into a D&O (directors, corporate auditors and officers) liability insurance contract as stipulated in Article 430-3 (1) of the Companies Act with an insurance company. Those insured by the insurance contract are Directors and Executive Officers of the Company and its subsidiaries as well as



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

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

The Company believes that execution of business operations with an emphasis on capital efficiency and making proactive investments in growth areas based on a strong financial base will lead to the creation of long-term corporate value. In shareholder returns, the Company strives to make stable dividend increases based on factors such as the profit status and financial condition in each period.

For this Business Period, mainly considering that the operating profit, which is the profit of the main business, achieve the target set at the beginning of the Business Period, the Company declared an annual dividend of 120 yen per share of common stock (interim dividend of 60 yen per share), the same value as announced at the beginning of the Business Period.

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

**Note: The following information from “Changes in the Results of Operations and the Financial Position” to “System and Policy of the Company” in English is disclosed only on the Company’s website and not sent in writing.**

**Changes in the Results of Operations and the Financial Position**

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

<b>(IFRS)</b>		<b>(In billions of yen except per share figures)</b>			
Fiscal Year		Fiscal Year ended March 31, 2021 (183rd Business Period)	Fiscal Year ended March 31, 2022 (184th Business Period)	Fiscal Year ended March 31, 2023 (185th Business Period)	Fiscal Year ended March 31, 2024 (186th Business Period)
Indices					
Revenue		2,994.0	3,014.1	3,313.0	3,477.3
Operating profit		153.8	132.5	170.4	188.0
Adjusted operating profit		178.2	171.0	205.5	223.6
Income before income taxes		157.8	144.4	167.7	185.0
Net profit attributable to owners of the parent		149.6	141.3	114.5	149.5
Non-GAAP operating profit		150.9	160.3	197.0	227.6
Non-GAAP profit attributable to owners of the parent		144.6	159.5	132.8	177.8
Basic earnings per share (yen)		557.18	518.54	424.51	561.25
Non-GAAP earnings per share (yen)		538.45	585.54	492.40	667.54
Total assets		3,668.6	3,761.7	3,984.1	4,227.5
Equity attributable to owners of the parent		1,308.2	1,513.5	1,623.8	1,915.6

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

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

		<b>(In billions of yen except per share figures)</b>			
Fiscal Year		Fiscal Year ended March 31, 2021 (183rd Business Period)	Fiscal Year ended March 31, 2022 (184th Business Period)	Fiscal Year ended March 31, 2023 (185th Business Period)	Fiscal Year ended March 31, 2024 (186th Business Period)
Indices					
Net sales		1,705.5	1,664.4	1,775.6	1,838.0
Ordinary income		66.3	28.5	71.2	158.3
Net income		164.4	82.2	102.1	220.8
Net income per share (yen)		612.27	301.71	378.57	828.66
Total assets		2,396.1	2,321.7	2,431.8	2,745.2
Net assets		928.9	976.3	1,017.1	1,210.2

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

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

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

**Employees**

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

Segment	Number of Employees
IT Services	60,124
Social Infrastructure	25,234
Others	19,888
Total	105,246

Note: The number of employees decreased by 13,281 from March 31, 2023, mainly due to the Company's selling a portion of its shareholdings in Japan Aviation Electronics Industry, Limited, which resulted in Japan Aviation Electronics Industry, Limited and its subsidiaries ceasing to be consolidated subsidiaries of the Company.

**(ii) Employees of the Company**

Number of Employees	Increase (Decrease) from March 31, 2023	Average Age	Average Years of Employment
22,210	174	43.3	17.5

**Major Borrowings**

(In millions of yen)

Creditors	Balance of Borrowings
Sumitomo Mitsui Banking Corporation	29,367
Mizuho Bank, Ltd.	13,792
MUFG Bank, Ltd.	13,568
Sumitomo Mitsui Trust Bank, Limited	12,103
Development Bank of Japan Inc.	10,000

## Accounting Auditors

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

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

Classification	Amount (In millions of yen)
(i) The total fees paid to the Accounting Auditors by the Company as compensation for their duties under the Companies Act	593
(ii) Total amount of money and other property benefit paid to the Accounting Auditors by the Company and its subsidiaries	1,704

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

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

3. The total amount of property benefit set forth in column (ii) above includes the fee for the audit of the transfer of the Company's wireless transport business.

4. Of the Company's subsidiaries listed in "1.(7)(ii) Principal Subsidiaries" above, those subject to audit by certified public accountants or audit firm other than the Accounting Auditors are as follows:

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

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

Other than those stipulated in Article 2(1) of the Certified Public Accountants Law, the Company, during this Business Period, engaged the Accounting Auditors mainly for services in relation to the audit procedures regarding control risk of subcontracted services, and paid fees for such services.

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

If the Accounting Auditors are found to correspond to any of the items of Article 340(1) of the Companies Act, the Audit & Supervisory Board (KANSAYAKU-KAI) (prior to the transition to a Company with a Nominating Committee, etc.) shall be entitled to dismiss the Accounting Auditors subject to the consent of all Audit & Supervisory Board Members (KANSAYAKU), in which case the Audit & Supervisory Board Member (KANSAYAKU) appointed by the Audit & Supervisory Board (KANSAYAKU-KAI) reports on the fact that said Accounting Auditors have been dismissed and the reason for dismissal, at the first shareholders meeting held after such dismissal. The Audit & Supervisory Board (KANSAYAKU-KAI) will determine the contents of a proposal for a dismissal or disapproval of the reappointment of the Accounting Auditors to be

submitted to the shareholders meeting when the situation arises where the Accounting Auditors are no longer able to execute their duties in a proper manner and the Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors, or the Audit & Supervisory Board (KANSAYAKU-KAI) decides that it is appropriate to change the Accounting Auditors in order to improve properness or efficiency of the audit by the Accounting Auditors.

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

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

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

The Company has established and implemented its internal control system based on the basic policy for maintenance of the system of the Company to ensure the properness of operations as provided in Article 416-1-1 (b) and (e) of the Companies Act adopted by resolution of the Board of Directors held on June 22, 2023 (the “Policy”). English translation of the Policy is provided through the Company’s website (<https://www.nec.com/en/global/about/internalcontrol.html>), and the summary of which is described below.

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

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

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

(iii) The Company shall implement risk management systems effectively and comprehensively under the consistent policy throughout the NEC Group in accordance with the Company’s internal rules. The officer responsible for corporate risk management shall organize the corporate risk management system, centered on the Risk Control and Compliance Committee, and supervise the NEC Group’s risk management as well as conducting risk factor analysis and implementing measures. Business divisions shall properly conduct risk management related to their assignment and corporate staff divisions shall give guidance and support to such business divisions’ activities. The Risk Control and Compliance Committee shall deliberate fully on such matters of importance from a perspective of risk management, such as the strategy to control important management risk, and the matters of particular importance shall be reported to the Executive Committee the Board of Directors.

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

(v) In order to ensure the proper operation of the NEC Group, the Company shall, through NEC Group

Management Policy, give instructions and assistance to the subsidiaries for the establishment of the systems ensuring compliance with laws, regulations and properness of the operation of business. In order to improve soundness and efficiency of management systems in the NEC Group, the Company shall dispatch directors and audit & supervisory board members (KANSAYAKU) where necessary and decide on a division in charge of supervising each of the subsidiaries, and such division in charge shall receive reports from such subsidiary regarding matters of importance on business operations, and give instructions and assistance to the subsidiary so that it shall properly conduct risk controls. Corporate staff departments shall stipulate and operate effective controls for their responsible area to ensure proper operations as the NEC Group. The internal auditing division shall conduct audits of the NEC Group's proper operations.

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

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

(viii) The Company shall assign the staff of secretariat of Audit Committee to assist the Audit Committee in performing their duties. The matters regarding such staff, including but not limited to personnel changes, shall be agreed by the Audit Committee to ensure the independence of the staff.

(ix) Directors, Executive Officers and employees shall report to the Audit Committee on the status of the performance of their duties on a periodic basis or as required. The Company shall give instructions to the subsidiaries so that directors, audit & supervisory board members (KANSAYAKU) and employees of the subsidiaries shall report to the Audit Committee of the Company on the status of the performance of their duties or other topics, as required by the Company's Audit Committee.

(x) The head of the division responsible for internal audit shall review and periodically report to the Audit Committee on the status of operation of the whistleblowing system within the NEC Group. Furthermore, The Company shall not make detrimental treatment to Directors, Executive Officers and employees of the NEC Group on the ground of reporting through whistleblowing system, and/or reporting to the Audit Committee on the status of the performance of duties or other relevant topics.

(xi) In order to ensure the effective audit, the Audit Committee shall periodically receive reports from the Accounting Auditors and the division responsible for internal audit and exchange opinions with them. Furthermore, the Audit Committee shall collaborate with the division responsible for internal audit and provide them guidance, give them instructions when deemed necessary, and audit the performance of duties by Directors and Executive Officers. In addition, an Audit Committee Member designated by the Audit Committee shall attend at the meetings of Executive Committee and such other important meetings as they deem necessary. The Company shall bear the reasonable expenses for the performance of duties by the Audit Committee, as required by the Audit Committee.

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

The Company assessed the status of the establishment and implementation of its internal control system for this Business Period and confirmed that it has established and implemented its internal control system properly based on the Policy. The main initiatives conducted in this Business Period are as follows:

(i) Compliance,  
Mainly on “NEC Compliance Day” (established as a day for reconfirming the importance of compliance for all NEC Group employees in 2017 as a result of having been recognized for having violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in Japan in the fiscal year ended March 31, 2017),

the Company took measures so that each and every NEC Group employee would reconfirm the importance of compliance. Specifically, the Company offered webinars on various educational content on compliance over a seven day period, while sending out messages on the importance of ethics and thorough compliance in business activities from the Company's management and presidents of its subsidiaries, awarding its subsidiaries that had made remarkable efforts to promote compliance. In addition, the Company has established and operates a system to promote compliance, led by the Risk Control and Compliance Committee. The Risk Control and Compliance Committee, or other organization, of each NEC Group company deliberates on cases of misconduct that occur at subsidiaries and reports them to the Company. The Risk Control and Compliance Committee, which meets monthly at the Company, deliberates on the causes of misconduct incidents that have occurred at NEC Group and measures to prevent recurrence. The Company publishes an overview of the incident and key points for the NEC Group every six months to prevent the recurrence of the incident. Annual web-based training programs related to compliance were also conducted in this Business Period, in which each employee of the Company declared that they would act in accordance with the NEC Group Code of Conduct and that they would act with integrity in a way that is trusted by customers, society, and colleagues. The Company encourages consulting and reporting (internal reporting) to the "Compliance Hotline," an internal reporting system, to enable early detection and resolution of misconduct. In addition to the "Compliance Hotline," the Company has established and operates the "HR Hotline," which allows anonymous consultation on harassment, human rights violations, and discrimination, as well as violations of labor-related laws and regulations and internal rules for personnel affairs. The Company also operate the "Global Hotline" for employees of overseas subsidiaries for early detection and resolution of misconduct in which their company's management is involved. The number of reports and consultations to the "Compliance Hotline" and the "HR Hotline" was 242 during this Business Period. The internal auditing division or other relevant divisions in the Company investigated these internal reports and consultations and took necessary measures in response, in accordance with the contents reported or consulted.

(ii) Risk Management

The NEC Group has a company-wide cross-sectional risk management system to accurately comprehend and to respond appropriately to both internal and external risks related to NEC Group's businesses. Specifically, the Company established the Risk Control and Compliance Committee and discusses a risk management policy, policies with regard to selection of and response to "Priority Risks" that requires countermeasures across the NEC Group, as well as measures to address risks that require company-wide management due to fluctuations in risk environment during the fiscal year, and other important matters related to company-wide risk management, then reports them to the Business Strategy Committee and the Board of Directors on a regular basis.

Further, the Company has established Chief Risk Officer (CRO) to monitor and address company-wide risks centrally and cross-functionally and strengthen its structure to manage possibilities to make losses. The CRO takes a lead the company-wide risk management by detecting and analyzing various / complicated risks in social and business environment changing day by day, and evaluating impacts, while prioritizing countermeasures and closely collaborating with other chief officers managing each risk.

The CRO, based upon the exhaustive list of risks that are deemed necessary for the NEC Group to recognize, engages in dialogue with the other chief officers managing each risk and conducts risk assessment to compile a risk map that visualizes the priority of such risks according to common standards such as magnitude impact and urgency, taking into account changes in the external and internal environment and the status of each risk countermeasure. The risk map is updated quarterly after deliberation by the Risk Control and Compliance Committee, and is regularly reported to the Business Strategy Committee and the Board of Directors.

(iii) Group Management

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

(iv) Audits by the Audit Committee

With a view toward moving to organizational auditing as an auditing system after the transition to a Company with a Nominating Committee, etc., the Company is working to build an optimal audit system, including strengthening cooperation with the internal auditing division and the Accounting Auditor, as well as enhancing the auxiliary functions of the Audit Committee.

- The Company has established the secretariat of Audit Committee to assist the Audit Committee in the execution of its duties, and the secretariat of Audit Committee performs its duties to ensure the effectiveness of the Audit Committee.

- A full-time Audit Committee Member check the status of the establishment and operation of the internal control system by attending important meetings such as the Executive Committee, engaging in dialogue with Executive Officers, etc., and receiving reports from management and audit & supervisory board members of subsidiaries, and shares the collected information with other Audit Committee Members.

- The Audit Committee works closely with the Accounting Auditor and the internal auditing division, including exchanging information on a monthly basis in principle, and operates an Audit Committee Hotline that is independent of management as a point of contact for reporting misconduct involving the Company's Directors and other officers.

Prior to the transition to a Company with a Nominating Committee, etc. on June 22, 2023, mainly the full-time Audit & Supervisory Board Members (KANSAYAKU) shared information with Outside Audit & Supervisory Board Members (KANSAYAKU) as appropriate to confirm the status of the establishment and operation of the internal control system, and operated a KANSAYAKU hotline that is independent of management.

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

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

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



**Consolidated Statement of Financial Position**

(As of March 31, 2024)

JPY (millions)

Account	Amount
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	476,490
Trade and other receivables	829,497
Contract assets	411,715
Inventories	242,634
Other financial assets	15,729
Other current assets	165,719
<b>Total current assets</b>	<b>2,141,784</b>
<b>Non-current assets</b>	
Property, plant and equipment, net	510,970
Goodwill	392,290
Intangible assets, net	371,762
Investments accounted for using the equity method	107,925
Other financial assets	203,099
Deferred tax assets	156,888
Other non-current assets	342,796
<b>Total non-current assets</b>	<b>2,085,730</b>
<b>Total assets</b>	<b>4,227,514</b>

		JPY (millions)
	Account	Amount
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
	Trade and other payables	519,762
	Contract liabilities	389,908
	Bonds and borrowings	84,665
	Accruals	252,713
	Lease liabilities	52,579
	Other financial liabilities	20,185
	Accrued income taxes	22,494
	Provisions	57,642
	Other current liabilities	69,405
	<b>Total current liabilities</b>	<b>1,469,353</b>
<b>Non-current liabilities</b>		
	Bonds and borrowings	298,279
	Lease liabilities	113,121
	Other financial liabilities	28,838
	Net defined benefit liabilities	157,646
	Provisions	23,960
	Other non-current liabilities	46,794
	<b>Total non-current liabilities</b>	<b>668,638</b>
	<b>Total liabilities</b>	<b>2,137,991</b>
<b>Equity</b>		
	Share capital	427,831
	Share premium	167,451
	Retained earnings	883,453
	Treasury shares	(31,097)
	Other components of equity	467,975
	<b>Total equity attributable to owners of the parent</b>	<b>1,915,613</b>
	Non-controlling interests	173,910
	<b>Total equity</b>	<b>2,089,523</b>
	<b>Total liabilities and equity</b>	<b>4,227,514</b>

**Consolidated Statement of Profit or Loss**

(For the fiscal year ended March 31, 2024)

JPY (millions)

Account	Amount
Revenue	3,477,262
Cost of sales	2,471,404
<b>Gross profit</b>	<b>1,005,858</b>
Selling, general and administrative expenses	814,013
Other operating income (expenses)	(3,833)
<b>Operating profit</b>	<b>188,012</b>
Finance income	9,804
Finance costs	18,072
Share of profit of entities accounted for using the equity method	5,267
<b>Profit before income taxes</b>	<b>185,011</b>
Income taxes	20,259
<b>Net profit</b>	<b>164,752</b>
<b>Net profit attributable to</b>	
Owners of the parent	149,521
Non-controlling interests	15,231
<b>Total</b>	<b>164,752</b>
<b>Earnings per share attributable to owners of the parent</b>	
Basic earnings per share (JPY)	561.25
Diluted earnings per share (JPY)	561.24

### Consolidated Statement of Changes in Equity

(For the fiscal year ended March 31, 2024)

JPY (millions)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
<b>As of April 1, 2023</b>	<b>427,831</b>	<b>165,034</b>	<b>764,604</b>	<b>(31,588)</b>	<b>297,936</b>	<b>1,623,817</b>	<b>288,907</b>	<b>1,912,724</b>
Net profit	—	—	149,521	—	—	149,521	15,231	164,752
Other comprehensive income	—	—	—	—	170,039	170,039	7,717	177,756
<b>Comprehensive income</b>	—	—	149,521	—	170,039	319,560	22,948	342,508
Purchase of treasury shares	—	—	—	(74)	—	(74)	—	(74)
Disposal of treasury shares	—	2	—	565	—	567	—	567
Share-based payment transactions	—	180	—	—	—	180	—	180
Cash dividends	—	—	(30,673)	—	—	(30,673)	(8,647)	(39,320)
Put option, written over shares held by a non-controlling interest shareholder	—	2,214	—	—	—	2,214	—	2,214
Changes in interests in subsidiaries	—	21	—	—	—	21	(129,298)	(129,277)
<b>Total transactions with owners</b>	—	2,417	(30,673)	491	—	(27,765)	(137,945)	(165,710)
<b>As of March 31, 2024</b>	<b>427,831</b>	<b>167,451</b>	<b>883,453</b>	<b>(31,097)</b>	<b>467,975</b>	<b>1,915,613</b>	<b>173,910</b>	<b>2,089,523</b>

<Reference>

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

(For the fiscal year ended March 31, 2024)

JPY (millions)

Account	Amount
<b>Net profit</b>	<b>164,752</b>
<b>Other comprehensive income, net of tax</b>	
<b>Items that will not be reclassified to profit or loss</b>	
Equity instruments designated as measured at fair value through other comprehensive income	12,326
Remeasurements of defined benefit plans	81,217
Share of other comprehensive income of entities accounted for using the equity method	206
Total items that will not be reclassified to profit or loss	93,749
<b>Items that may be reclassified subsequently to profit or loss</b>	
Exchange differences on translating foreign operations	86,055
Cash flow hedges	(3,758)
Share of other comprehensive income of entities accounted for using the equity method	1,710
Total items that may be reclassified subsequently to profit or loss	84,007
<b>Total other comprehensive income, net of tax</b>	<b>177,756</b>
<b>Total comprehensive income</b>	<b>342,508</b>
<b>Total comprehensive income attributable to</b>	
Owners of the parent	319,560
Non-controlling interests	22,948
<b>Total</b>	<b>342,508</b>

<Reference>

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

(For the fiscal year ended March 31, 2024)

JPY (millions)

Account	Amount
<b>Cash flows from operating activities</b>	
Profit before income taxes	185,011
Depreciation and amortization	187,700
Impairment loss	4,735
Increase (decrease) in provisions	4,307
Finance income	(9,804)
Finance costs	18,072
Share of profit of entities accounted for using the equity method	(5,267)
(Increase) decrease in trade and other receivables	(64,754)
(Increase) decrease in contract assets	(69,375)
(Increase) decrease in inventories	(6,658)
Increase (decrease) in trade and other payables	24,224
Increase (decrease) in contract liabilities	91,147
Others, net	(33,608)
Subtotal	325,730
Interest received	5,896
Dividends received	3,330
Interest paid	(10,980)
Income taxes paid	(52,748)
<b>Net cash provided by (used in) operating activities</b>	<b>271,228</b>
<b>Cash flows from investing activities</b>	
Purchases of property, plant and equipment	(75,176)
Proceeds from sales of property, plant and equipment	7,656
Acquisitions of intangible assets	(24,591)
Purchase of equity instruments designated as measured at fair value through other comprehensive income	(367)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income	16,676
Purchases of shares of newly consolidated subsidiaries	(811)
Proceeds from sales of shares of subsidiaries	1,892
Disbursement for sales of shares of subsidiaries	(9,008)
Purchases of investments in associates or joint ventures	(276)
Proceeds from sales of investments in associates or joint ventures	226
Others, net	7,764
<b>Net cash provided by (used in) investing activities</b>	<b>(76,015)</b>

JPY (millions)	
Account	Amount
<b>Cash flows from financing activities</b>	
Net increase (decrease) in short-term borrowings	(21,345)
Repayments of long-term borrowings	(46,696)
Proceeds from issuance of bonds	40,000
Redemption of bonds	(40,000)
Payments of lease liabilities	(63,117)
Dividends paid	(30,655)
Dividends paid to non-controlling interests	(8,715)
Proceeds from disposal of treasury shares	567
Purchase of treasury shares	(74)
Proceeds from issuance of preference shares with put/call options	15,797
Others, net	(1,270)
<b>Net cash provided by (used in) financing activities</b>	<b>(155,508)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>17,323</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>57,028</b>
<b>Cash and cash equivalents, at the beginning of the year</b>	<b>419,462</b>
<b>Cash and cash equivalents, at the end of the year</b>	<b>476,490</b>

## Notes to Consolidated Financial Statements

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

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

#### 2. Scope of consolidation

Number of consolidated subsidiaries      254 companies

Major consolidated subsidiaries

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

Change in the scope of consolidation includes additions of 7 and exclusions of 37 subsidiaries. Significant changes were as follows:

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

7 subsidiaries

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

35 subsidiaries

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

2 subsidiaries

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

Number of companies accounted for using the equity method

Number of affiliated companies accounted for using the equity method      54 companies

Major companies

Japan Aviation Electronics Industry, Ltd., NEC Capital Solutions Limited, Lenovo NEC Holdings, B.V.

3 affiliated companies were newly accounted for using the equity method.

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

#### 4. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

Classification of financial assets

The NEC Group classifies non-derivative financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. In principle, financial assets are classified into the categories on the basis of the business model for managing financial assets and the contractual cash flow characteristics of financial assets.



(i) Non-derivative financial assets

Financial assets measured at amortized cost

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

(ii) Derivative Financial Instruments

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

Derivatives that are not designated as hedging instruments

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

## Derivatives that are designated as hedging instruments

### Cash Flow Hedges

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

### Impairment of financial assets

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

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

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

## (b) Non-financial assets

### (i) Inventories

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

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

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

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

### (ii) Property, Plant and Equipment

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

Cost includes expenses directly attributable to acquisition of the asset, costs of dismantling and removing the assets,

costs of restoring the site, and borrowing costs to be capitalized. When significant components of property, plant and equipment have different useful lives, they are accounted for as separate items (by major components) of property, plant and equipment. Gains or losses on disposals of property, plant and equipment are recognized in profit or loss.

### (iii) Intangible Assets

#### Goodwill

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

#### Software and Other Intangible Assets

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

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

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

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

### (iv) Impairment of Non-financial Assets

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

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

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

## (2) Depreciation method for assets

### (a) Property, Plant and Equipment

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

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

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

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

### (b) Intangible Assets

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

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

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

## (3) Recognition criteria for provisions

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

## (4) Revenue recognition criteria for revenue and obligation

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

Step 1: Identify the contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

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

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

## (5) Leases

At inception of a contract, the NEC Group assesses whether the contract is, or contains, a lease. The NEC Group determines a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In addition, the NEC Group elected not to recognize right-of-use assets and lease liabilities for either short-term leases with a lease term of 12 months or less or leases for which the underlying assets are of low value. The NEC Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over their lease term.

### As a lessee

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

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

- fixed payments, including in-substance fixed payments;

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

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

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

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

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

##### (a) Defined Benefit Plans

The NEC Group's defined benefit plans consist of defined benefit pension plans and lump-sum severance payment plans. For defined benefit plans, the present value of defined benefit obligations, less the fair value of plan assets is recognized as either liability or asset. Defined benefit obligations are measured separately for each plan by discounting estimated amount of future benefits employees have earned in return for their services in the current and prior periods to its present value. The discount rate is the yield at the reporting date on high-quality corporate bonds that is consistent with the currency and estimated terms of the NEC Group's post-employment benefit obligations. Remeasurement of net defined benefit plans is recognized in full as other comprehensive income and not reclassified to retained earnings in subsequent periods.

##### (b) Application of Japanese group relief system

The Company files its tax return under the Japanese group relief system.

## II Notes to Changes in Accounting Policies

The NEC Group applied amendments of IAS 12 "Income taxes", effective from the fiscal year ended March 31, 2024. This amendment requires recognition of deferred tax on transactions that incur taxable and deductible temporary difference in same amount such as Leases and Asset retirement obligations. As a result, both Deferred tax assets and Deferred tax liabilities have increased. However, Deferred tax assets and liabilities increased by this adoption are offset in the financial statement when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities are for those related to income taxes levied by the same taxation authority on the same taxable entity. As a result of amendments, there are no impact on retained earnings at the beginning of the fiscal year ended March 31, 2024 and the disclosure of the consolidated financial statements.

### III Notes to Accounting Estimates

Accounting estimates generate reasonable amounts based on information available at the time of preparation of consolidated financial statements. The following amounts based on accounting estimates recorded in the consolidated financial statements for the consolidated fiscal year ended March 31, 2024 involve the risk that may have significant impact on the consolidated financial statements for the consolidated fiscal year ending March 31, 2025:

#### 1. Assessment for recoverability of deferred tax assets

##### (1) Amount recorded in the consolidated financial statements for the consolidated fiscal year ended March 31, 2024

Deferred tax assets of 156,888 million JPY are recorded in the consolidated statement of financial position for the consolidated fiscal year ended March 31, 2024

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

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

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

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

The area which the accounting estimates and judgements was of particular importance as of March 31, 2024, is the recoverability of deferred tax assets for corporate inhabitant tax and enterprise tax recognized by the Company.

The amounts of deferred tax assets for corporate inhabitant tax and enterprise tax recognized and unrecognized by the Company are 17,829 million JPY and 2,843 million JPY, respectively, in the consolidated statement of financial position for the consolidated fiscal year ended March 31, 2024.

#### 2. Other accounting estimates

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

##### (1) Fair Value of Financial Instruments

VI Notes: Financial Instruments

##### (2) Recoverable Amount in Impairment Test of Non-financial Assets

I Notes to Significant Items for Presenting Consolidated Financial Statements

4. Significant accounting policies (1) Valuation standards and methods for asset

##### (3) Actuarial Assumptions of Post-retirement Benefits

I Notes to Significant Items for Presenting Consolidated Financial Statements

4. Significant accounting policies (6) Other significant principles for the preparation of consolidated financial statements

##### (4) Recognition and Measurement of Provisions

I Notes to Significant Items for Presenting Consolidated Financial Statements

4. Significant accounting policies (3) Recognition criteria for provisions

##### (5) Revenue Recognition

I Notes to Significant Items for Presenting Consolidated Financial Statements

4. Significant accounting policies (4) Revenue recognition criteria for revenue and obligation

(6) Identification of Lease and Determination of Lease Term

I Notes to Significant Items for Presenting Consolidated Financial Statements

4. Significant accounting policies (5) Leases



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

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

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

JPY (millions)

Items	Amount
Current assets	6,011
Non-current assets	2,600
Total	8,611

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

JPY (millions)

Items	Amount
Accumulated depreciation of property, plant and equipment	943,168

## V Notes to Consolidated Statement of Changes in Equity

### 1. Stocks issued

Ordinary shares 272,849,863 shares

### 2. Dividends

#### (1) Payment of dividends

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
May 11, 2023 Board of Directors	Ordinary shares	14,665	55	March 31, 2023	June 1, 2023

Resolution	Type of shares	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
October 30, 2023 Board of Directors	Ordinary shares	16,007	60	September 30, 2023	December 1, 2023

(2) Dividend for which the record date is in the fiscal year ended March 31, 2024, and the effective date is in the following fiscal year

Resolution	Type of shares	Resource of dividends	Total dividends JPY (millions)	Dividends per share (yen)	Record date	Effective date
May 10, 2024 Board of Directors	Ordinary shares	Retained earnings	16,007	60	March 31, 2024	June 3, 2024

## VI Notes to Financial Instruments

### 1. Summary of financial instruments

#### (1) Capital management

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

#### (2) Financial risk management

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

##### a. Credit risk

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

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

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

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

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

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

##### b. Liquidity risk

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

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

c. Market risk

(i) Interest rate risk

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

(ii) Foreign currency risk

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

(iii) Equity price risk

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

2. Fair value of financial assets and liabilities

Fair value of financial assets and liabilities

	JPY (millions)	
	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Bonds	234,356	232,067
Long-term borrowings	88,920	88,714
Preference shares with put/call options *	16,984	17,464

\* Preference shares with put/call options issued by a subsidiary of the Company are included in Other financial liabilities in Consolidated Statement of Financial Position.

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

Basis of the fair value measurement for financial instruments

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

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

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

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

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

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

The fair value of preference shares with put/call options, which are classified as financial liabilities, is measured by discounting the estimated future cash flows, which are based on the expected timing of the exercise of the put/call options, at the interest rate that takes into account the period to the date of exercise and the credit risk.

### 3. Fair value hierarchy

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

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

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

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

	JPY (millions)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	-	6,232	20,095	26,327
Equity instruments designated as measured at fair value through other comprehensive income	47,878	-	90,967	138,845
Financial liabilities measured at fair value through profit or loss	-	8,860	-	8,860

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

## VII Notes to Revenue Recognition

### 1. Disaggregation of revenue

Revenue consists of the following three categories: “Contracts for hardware and packaged software deployments”, “Contracts for services to customers (including maintenance and outsourcing)”, and “Contracts for system integrations and equipment constructions”. The revenue in three categories for the fiscal years ended March 31, 2024 are 1,018,493 million JPY, 1,287,955 million JPY, and 1,170,814 million JPY, respectively.

### 2. Basic information for understanding revenue recognition

Basic information for understanding revenue recognition is described in “4 Significant Accounting Policies, (4) Revenue recognition criteria for revenue and obligation.”

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

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2024, is 2,414,849 million JPY. The figure includes the estimated revenue recognition amount for more than one year. The figure does not include the remaining performance obligations that have original expected durations of one year or less.

## VIII Notes to Per Share Data

Equity attributable to owners of the parent per share	7,189.26 JPY
Basic earnings per share	561.25 JPY
Diluted earnings per share	561.24 JPY

## IX Notes: Others

### Loss of control of a subsidiary

#### 1. Overview of the loss of control

Japan Aviation Electronics Industry, Ltd. (“JAE”), a consolidated subsidiary of the Company, resolved at its Board of Directors meeting held on January 29, 2024, to repurchase its own common shares by way of an issuer tender offer. The Company entered into a “Tender Offer Application Agreement” with JAE on the same date, under which the Company agreed to tender 23,843,402 common shares of JAE held by the Company. The issuer tender offer was completed on February 28, 2024, and all of the common shares tendered by the Company were purchased by JAE. On March 22, 2024, the commencement date of settlement of the tender offer, the percentage of ownership of voting rights in JAE decreased to 33.4%, and JAE, which used to be a consolidated subsidiary of the Company, became an affiliate accounted for using the equity method.

#### 2. Assets and liabilities associated with the loss of control of the subsidiary

JPY (millions)	
Items	Amount
Current assets	
Cash and cash equivalents	71,120
Trade and other receivables	44,833
Inventories	28,405
Other, net	3,758
Non-current assets	
Property, plant and equipment, net	93,462
Goodwill	6,319
Intangible assets, net	16,994
Other, net	14,008
Total assets	278,899
Current liabilities	
Trade and other payables	27,151
Other, net	20,671
Non-current liabilities	
Other, net	11,313
Total liabilities	59,135

Note: The carrying amount of non-controlling interests in JAE at the date when control was lost is 137,925 million JPY.

#### 3. Gain or loss associated with the loss of control of the subsidiary

Out of gain on sales of subsidiaries' stocks 7,927 million JPY, 1,995 million JPY was attributable to measuring investment retained in JAE at its fair value at the date of loss of control. These amounts are included in “Other operating income (expenses)” in the consolidated statement of profit or loss.

4. Net change in cash and cash equivalents from loss of control of the subsidiary

	JPY (millions)
	Amount
Consideration received by cash	62,112
Cash and cash equivalents at the time of loss of control of the subsidiary	(71,120)
Net change in cash and cash equivalents from loss of control of the subsidiary	(9,008)



**Balance Sheet**  
(Non-consolidated: Japanese GAAP)  
(As of March 31, 2024)

JPY (millions)

Account	Amount
<b>Assets</b>	
<b><u>Current assets</u></b>	<b>1,310,291</b>
Cash and deposits	215,910
Notes receivable-trade	3,257
Accounts receivable-trade	469,131
Contract assets	278,013
Lease investment assets	7,998
Merchandise and finished goods	73,466
Work in process	23,110
Raw materials and supplies	14,987
Advance payments-trade	75,202
Prepaid expenses	30,706
Accounts receivable-other	71,149
Other	47,363
Allowance for doubtful accounts	(1)
<b><u>Non-current assets</u></b>	<b>1,434,919</b>
<b>Property, plant and equipment</b>	<b>253,147</b>
Buildings, net	153,761
Structures, net	4,533
Machinery and equipment, net	8,077
Vehicles, net	177
Tools, furniture and fixtures, net	43,026
Land	28,993
Construction in progress	14,581
<b>Intangible assets</b>	<b>77,867</b>
Patent right	613
Right of using facilities	128
Software	76,960
Other	166
<b>Investments and other assets</b>	<b>1,103,906</b>
Investment securities	94,063
Stocks of subsidiaries and affiliates	766,522
Investments in capital	197
Long-term loans receivable	41
Long-term loans receivable from subsidiaries and affiliates	23,243
Deferred tax assets	111,146
Prepaid pension cost	70,989
Other	46,443
Allowance for doubtful accounts	(8,738)
<b>Total assets</b>	<b>2,745,211</b>

JPY (millions)

Account	Amount
<b>Liabilities</b>	
<b><u>Current liabilities</u></b>	<b>1,196,457</b>
Accounts payable-trade	402,939
Short-term borrowings	3,333
Current portion of long-term borrowings	32,000
Current portion of bonds payable	25,000
Lease obligations	140
Accounts payable-other	55,984
Accrued expenses	82,458
Income taxes payable	8,183
Contract liabilities	243,597
Deposits received	272,086
Provision for product warranties	5,145
Provision for directors' bonuses	551
Provision for loss on construction contracts and others	8,048
Provision for contingent loss	30,542
Provision for share-based payments	24
Asset retirement obligations	29
Other	26,400
<b><u>Non-current liabilities</u></b>	<b>338,554</b>
Bonds payable	210,000
Long-term loans payable	89,000
Lease obligations	187
Provision for retirement benefits	653
Provision for product warranties	938
Provision for loss on guarantees	18,990
Provision for contingent loss	815
Provision for share-based payments	335
Asset retirement obligations	9,785
Other	7,851
<b>Total liabilities</b>	<b>1,535,011</b>
<b>Net Assets</b>	
<b><u>Shareholders' equity</u></b>	<b>1,190,753</b>
<b>Capital stock</b>	<b>427,831</b>
<b>Capital surplus</b>	<b>136,951</b>
Legal capital surplus	89,892
Other capital surplus	47,060
<b>Retained earnings</b>	<b>657,339</b>
Legal retained earnings	17,066
Other retained earnings	640,273
Reserve for promoting open innovation	250
Retained earnings brought forward	640,023
<b>Treasury stock</b>	<b>(31,368)</b>
<b><u>Valuation and translation adjustments</u></b>	<b>19,446</b>
<b>Valuation difference on available-for-sale securities</b>	<b>26,131</b>
<b>Deferred gains or losses on hedges</b>	<b>(6,685)</b>
<b>Total net assets</b>	<b>1,210,199</b>
<b>Total liabilities and net assets</b>	<b>2,745,211</b>

**Statement of Profit or Loss**  
**(Non-consolidated: Japanese GAAP)**  
**(For the fiscal year ended March 31, 2024)**

JPY (millions)

Account	Amount
Net sales	1,837,979
Cost of sales	1,329,108
<b>Gross profit</b>	<b>508,871</b>
Selling, general and administrative expenses	398,577
<b>Operating profit</b>	<b>110,294</b>
<b>Non-operating income</b>	<b>61,943</b>
Interest income	1,199
Dividends income	57,237
Other	3,507
<b>Non-operating expenses</b>	<b>13,900</b>
Interest expenses	3,204
Loss on disposal of non-current assets	2,116
Foreign exchange losses	1,363
Other	7,217
<b>Ordinary profit</b>	<b>158,337</b>
<b>Extraordinary income</b>	<b>54,211</b>
Gain on sales of subsidiaries and affiliates' stocks	44,169
Gain on sale of investment securities	9,315
Reversal of provision for loss on guarantees	410
Gain on sale of non-current assets	234
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	83
<b>Extraordinary loss</b>	<b>21,237</b>
Provision for loss on guarantees	6,952
Loss on valuation of stocks of subsidiaries and affiliates	4,594
Provision of allowance for doubtful accounts for subsidiaries and associates	4,285
Impairment loss	3,277
Loss on sale of businesses	1,497
Loss on sale of non-current assets	478
Loss on sale of investment securities	100
Loss on valuation of investment securities	55
<b>Profit before income taxes</b>	<b>191,310</b>
<b>Income taxes</b>	<b>(29,450)</b>
Income taxes – current	14,234
Income taxes – deferred	(43,684)
<b>Net profit</b>	<b>220,760</b>

**Statement of Changes in Net Assets**  
(Non-consolidated: Japanese GAAP)  
(For the fiscal year ended March 31, 2024)

JPY (Millions)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	
						Reserve for promoting open innovation	Retained earnings brought forward	
Balance at the beginning of current period	427,831	89,892	46,772	136,663	17,066	250	449,935	467,251
Changes of items during the period								
Dividends from surplus							(30,673)	(30,673)
Net profit							220,760	220,760
Purchase of treasury stock								
Disposal of treasury stock			288	288				
Total changes of items other than shareholders' equity								
Total changes of items during the period	—	—	288	288	—	—	190,088	190,088
Balance at the end of current period	427,831	89,892	47,060	136,951	17,066	250	640,023	657,339

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(31,573)	1,000,173	19,919	(2,979)	16,940	1,017,113
Changes of items during the period						
Dividends from surplus		(30,673)				(30,673)
Net profit		220,760				220,760
Purchase of treasury stock	(1,152)	(1,152)				(1,152)
Disposal of treasury stock	1,357	1,644				1,644
Total changes of items other than shareholders' equity			6,212	(3,706)	2,506	2,506
Total changes of items during the period	205	190,580	6,212	(3,706)	2,506	193,086
Balance at the end of current period	(31,368)	1,190,753	26,131	(6,685)	19,446	1,210,199

## **Independent Auditor's Report**

May 8, 2024

To the Board of Directors of NEC Corporation:

KPMG AZSA LLC  
Tokyo Office, Japan

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

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

Shinya Fujino (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the consolidated financial statements, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Changes in Equity and the related notes of NEC Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 444-4 of the Companies Act.

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

### **Basis for Opinion**

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

## **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers' and the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

## **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

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

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

The audit committee is responsible for overseeing the executive officers' and the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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

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

## **Independent Auditor's Report**

May 8, 2024

To the Board of Directors of NEC Corporation:

KPMG AZSA LLC  
Tokyo Office, Japan

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

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

Shinya Fujino (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the financial statements, which comprise the Balance Sheet, the Statement of Profit or Loss, the Statement of Change in Net Assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of NEC Corporation ("the Company") as at March 31, 2024 and for the 186th year from April 1, 2023 to March 31, 2024 in accordance with Article 436-2-1 of the Companies Act.

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

### **Basis for Opinion**

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



## **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers' and the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

## **Responsibilities of Management and the Audit Committee for the Financial Statements and the Accompanying Supplementary Schedules**

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

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

The audit committee is responsible for overseeing the executive officers' and the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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

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

## AUDIT REPORT

The Audit Committee audited the performance of duties of Executive Officers and Directors in the 186th business period from April 1, 2023 to March 31, 2024. The method and result of the audit is reported below.

### 1. Audit method and details thereof

The Audit Committee received periodic reports from Executive Officers and Directors, etc., regarding the content of resolutions of the Board of Directors concerning the matters stipulated in Article 416-1-1 (b) and (e) of the Companies Act as well as the structure and operation status of the system established in accordance with the resolutions (internal control system). The Audit Committee requested explanations when necessary and expressed its opinion, as well as conducting audits by the method described below.

- (i) Pursuant to the Code of Audit Committee Auditing Standards and in accordance with the auditing policies and allocation of duties determined by the Audit Committee, we coordinated with the Company's internal auditing division, etc. (including hearing reports from the internal auditing division regarding the results of examining important authorization documents and associated information), attended important meetings, received reports from Executive Officers and Directors, etc. regarding their performance of duties, requested explanations when necessary, and investigated the Company's operations and financial condition. As for the subsidiaries, we have ensured to communicate with the directors and audit & supervisory board members (KANSAYAKU) and other personnel of the subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries with regard to their business;
- (ii) With regard to "Policy on the Control over the Company" stated in the business report, each member of the Audit Committee has verified the statement of the said policy; and
- (iii) each member of the Audit Committee has monitored and verified whether the Accounting Auditors were maintaining their independence and properly performing audits, received reports from the Accounting Auditors on the performance of their duties, and, when necessary, requested them to provide explanations. We also received from the Accounting Auditors a notice confirming that "the systems for ensuring proper performance of duties of the Accounting Auditors" (matters stipulated in each item of Article 131 of the Regulations on Corporate Accounting) was properly implemented pursuant to the "Quality Control Standards for Audit" (Business Accounting Deliberation Council, October 28, 2005) and others, and, when necessary, requested them to provide explanations.

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

### 2. Results of audit

- (1) Audit results concerning the business reports, etc.
  - (i) We confirm that the business report and the supplementary schedules fairly present the conditions of the Company in conformity with applicable laws, regulations and its Articles of Incorporation.
  - (ii) We have found no improper acts by Executive Officers and Directors in the performance of their duties or any material facts in connection with the performance by Executive Officers and Directors of their duties that constitute any violation of applicable laws, regulations or the Articles of Incorporation.
  - (iii) We confirm that the contents of the resolution of the Board of Directors on the internal control system of the Company are fair and appropriate. Moreover, we have found no matters that must be pointed out with regard to the Company's internal control system in terms of either the content in the business report or the performance of duties by Executive Officers and Directors.
  - (iv) We have found no matters that must be pointed out with regards to "Policy on the Control over the Company" stated in the business report.
- (2) Audit results concerning consolidated financial statements

We confirm that the methods and results of the audit conducted by KPMG AZSA LLC the Accounting Auditors, are fair and appropriate.
- (3) Audit results concerning non-consolidated financial statements and supplementary schedules

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

May 10, 2024

Audit Committee  
NEC Corporation

Member of the Audit Committee (Outside Director)	Joji Okada (Seal)
Member of the Audit Committee (Full-time)	Shinobu Obata (Seal)
Member of the Audit Committee (Outside Director)	Kyoko Okada (Seal)
Member of the Audit Committee (Outside Director)	Harufumi Mochizuki(Seal)

Note: The Company transitioned its governance structure from a Company with an Audit & Supervisory Board (KANSAYAKU-KAI) to a Company with a Nominating Committee, etc. upon the close of the 185th Ordinary General Meeting of Shareholders held on June 22, 2023. Information regarding the status between April 1, 2023 and the close of the Ordinary General Meeting of Shareholders on June 22, 2023 is based on content carried over from the former Audit & Supervisory Board (KANSAYAKU-KAI).