

2023

NEC ESG Databook



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NEC is a signatory to the United Nations Global Compact.

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Information Disclosure Policy

Basic Policy

As a company aiming to be a Social Value Innovator, NEC Corporation considers communication with stakeholders to be a critical initiative not only from the perspective of carrying out our corporate social responsibilities, but also as an opportunity for us to understand the fundamental issues that our customers and society face. Our commitment to moving forward with dialogue and co-creation with stakeholders is embedded in the concept of “Orchestrating” as stated in our Purpose, “Orchestrating a brighter world.”

We use our sustainability website and ESG Databook (PDF format) as communication tools for this purpose, disclosing sustainability initiatives and their results as viewed from an environmental, social, and governance (ESG) perspective. NEC’s Integrated Reports also present the essence of our ESG Databook, with a focus on “materiality,” as well as the essence of our securities reports, which disclose our financial activities.

Scope of This Report

In principle, the content relates to NEC Corporation in certain sections but also includes subsidiary companies and affiliates in other sections. “NEC” refers to NEC Corporation and its subsidiary companies, unless otherwise noted.

The report covers the consolidated fiscal years ended March 31, 2020, 2021, 2022 and 2023, and data as of March 31 of each year, unless otherwise noted.

Disclosure Format

• Sustainability Website and ESG Databook (PDF Format)

NEC regularly discloses the latest information on its sustainability activities via its sustainability website. Furthermore, it emphasizes detailed coverage of information to ensure conformance with international reporting initiatives such as the Global Reporting Initiative (GRI), while addressing the needs of sustainability professionals such as ESG research institutions, the news media, universities, and NPOs/NGOs.

The ESG Databook (previously the Sustainability Report, English version) posted on the sustainability website is published each year in PDF format. Our sustainability initiatives have been compiled and published in the Sustainability Report since 2018. However, from 2023 onwards, the report has been renamed as the ESG Databook. The Databook presents our ESG targets, results and future plans and initiatives more clearly, and the content is easier to search through. The previous Sustainability Report was published in English in September 2022.

• NEC Integrated Report

The NEC Integrated Report explains our management strategies, which are aimed at promoting the sustainable growth of NEC and society as a whole, from both financial and non-financial perspectives. NEC has published integrated Annual Reports containing both financial and non-

financial information since fiscal 2014. In July 2018, NEC changed the name of the report to “Integrated Report” upon having defined its corporate materiality.

Reference Guidelines

With the aim of achieving conformance with international reporting initiatives, NEC reports on its sustainability activities using the following guidelines as references:

- The GRI’s Sustainability Reporting Guidelines Standards
- United Nations Global Compact (UNGC)
- Sustainability Accounting Standards Board (SASB) Standards
- International Organization for Standardization (ISO) 26000
- Japan’s Ministry of Economy, Trade and Industry (METI)’s “Guidance for Collaborative Value Creation”

Third-party Assurance

The environmental and social data published in the ESG Databook has been verified by a third party. Applicable environmental data is denoted with a . Relevant social data is provided in the corresponding notes.

Management for Sustainability

Basic Principles on Management for Sustainability		
GRI 2-22 2-23	<p>NEC aims to realize a sustainable society where everyone has the chance to reach their full potential. Our management approach entails conducting dialogues and co-creation with many different stakeholders while advancing business activities that help address social issues. Moreover, in addition to conducting rigorous compliance with laws, regulations, and sound corporate ethics, we also proactively lower risks attendant on activities that have potentially negative effects on society or the environment.</p>	<p>Guided by the NEC Way, NEC promotes management for sustainability in accordance with the following Basic Principles on Management for Sustainability. In addition, we have identified our priority management themes from an ESG perspective—materiality. Addressing these themes is central to minimizing risk and maximizing the value we provide, which in turn will contribute to improving future financial performance and achieving the Sustainable Development Goals (SDGs).</p> <p>Message from the President and CEO</p> <p>NEC Way</p>
	<p>Contribute to Solving Social Issues through Our Business</p> <p>As part of its Purpose, NEC declares its intention to create the social values of safety, security, fairness and efficiency through its business activities. The SDGs pledge that “no one will be left behind” is aligned with the NEC Purpose, to “promote a more sustainable world where everyone has the chance to reach their full potential.”</p> <p>In order to fulfill our Purpose, we have put together the NEC 2030VISION as a compass to indicate the direction and path for NEC to follow. By following the NEC 2030VISION, not only will we improve our financial performance, but we will also manage and create businesses that generate positive social and environmental impacts.</p> <p>NEC 2030VISION</p>	<p>Strengthen Risk Management and Enforce Compliance</p> <p>In order to act in accordance with our Principles, which advocate for “uncompromising integrity and respect for human rights,” we make sure to conduct our business activities with the highest priority given to thorough risk management and compliance that is mindful not only of employees but also of customers and society. Moreover, the opening statement to the NEC Group Code of Conduct calls for us to act in good faith based on high ethical standards. In 2005, NEC became a signatory to the United Nations Global Compact, which requires corporate activities to be conducted based on the Ten Principles of the UN Global Compact, pertaining to the four fields of human rights, labour, the environment, and anti-corruption. As part of this effort, NEC conducts regular self-assessments of its activities to ensure it stays true to this requirement.</p> <p>Promote Communication with Stakeholders</p> <p>Dialogue and co-creation with a variety of stakeholders are important processes for learning about the issues that matter to our customers and society, about what is expected of us, and for building relationships of trust. Our commitment to promoting dialogue and co-creation with stakeholders is embedded in the concept of “orchestration” as stated in our Purpose, “Orchestrating a brighter world,” within the NEC Way. This commitment also helps fulfill SDG 17, “Partnerships for the goals.”</p>

Our Journey toward Management for Sustainability

NEC’s story starts in 1899, when the Company was established as Japan’s first joint venture with a foreign company. Founder Kunihiko Iwadare created a company aiming to provide customers with world-class products, and to take responsibility for them through after-sales services. With these goals in mind, NEC began providing telecommunications equipment such as telephones and switching systems under the motto, “Better Products, Better Services.”

Later, in the 1950s, the Company began working on the development of computers. In 1977, at the INTELCOM 77 international communications expo held in the U.S. city of Atlanta, then-chairman of NEC Koji Kobayashi presented a new concept, “C&C,” referring to the integration of computers and communications.

At that time, President Kobayashi talked about NEC’s vision for C&C, as follows:

Vision for C&C

“If I am asked about my vision for communications in the future, I can see a world where any and all individuals are able to communicate with each other at any time, at any place on the earth, in the early days of the next century. Assuming that this comes true, all technology, communications, computers, and televisions will be, and should be, integrated. And, therefore, it is important to help developing countries to be able to participate in such a world telecommunications system.”

This vision has been technologically realized today in our age of widespread computers, mobile phones, and the internet. The ambition to enable people around the world to be able to connect anytime, anywhere, and with anyone aligns with the aspiration of the SDGs adopted by 193 United Nations member countries in 2015 to “leave no one behind.” The issue is now being addressed throughout the world.


As the value expected of NEC by customers and society changed from our tangible technologies and products to the intangible creation of value, in 2013, we responded under the Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator, creating value for society. The following year, in 2014, we announced our brand statement, “Orchestrating a brighter world.” In 2019, we marked our 120th anniversary by reorganizing the structure of the NEC Way, now over 10 years old. On this occasion, we reflected the changes and demands of society and reformed it to guide the actions of each individual, from officers to employees. Announced in April 2020 following a resolution by the Board of Directors, the NEC Way presents the connections between the Company’s Purpose, its Principles and each individual in a clear, simple way.

1899

Establishment of Nippon Electric Company

The Founding Spirit of “Better Products, Better Services”

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




Founder: Kunihiko Iwadare

1977

C&C Announced

The Integration of Computers and Communications

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



Announcement of C&C at INTELCOM 77

2013

Transformation into a Social Value Innovator

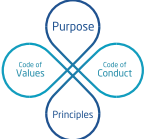
Orchestrating a brighter world

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

2020

NEC Way

To mark the 120th anniversary of our founding, we revised the NEC Way.



2025

Mid-term Management Plan 2025

Seize the Future Together


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

NEC 2030VISION

Life

Society

Environment



Management for Sustainability

Management Implementation Framework for Sustainability

Management Implementation Framework for Sustainability

GRI

2-12

2-13

2-14

2-17

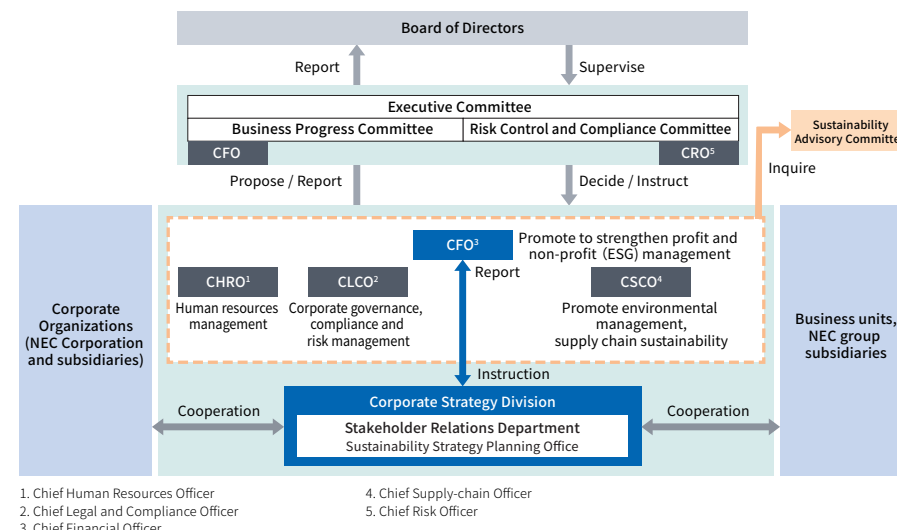
2-18

NEC's management for sustainability is promoted through close collaboration among corporate organizations such as the Corporate Strategy, IR, Human Resources, General Affairs, Human Resource Development, Compliance, Management Information Systems, Environment, Customer Service, Quality Assurance, Procurement, and Communications divisions, as well as business divisions, and Group companies around the world (see table at right). We also undertake initiatives in collaboration with business partners.

Key matters for promoting management for sustainability are discussed by corporate officers and managers of related divisions via the Executive Committee, the Business Progress Committee and the Risk Control and Compliance Committee. Matters discussed or approved by these entities are periodically reported to the Board of Directors via the officer in charge of sustainability promotion. The Board then monitors these matters after they are reported. Further, Companywide organizational development and human resource development, based on practical implementation of the NEC Way, and priority management themes from an ESG perspective—materiality—are clearly stated in the job descriptions of all internal directors. These factors have also been incorporated into the key performance indicators used to evaluate officers. In such ways, we are advancing sustainability initiatives.

The CFO and the officers in charge of promoting sustainability have established the Sustainability Advisory Committee to consult with external sustainability experts.

NEC's Management Implementation Framework for Sustainability



Sustainability Advisory Committee

GRI

2-29

In fiscal 2022, the Sustainability Advisory Committee was newly established to promote management for sustainability as a means to improve corporate and social value. The CFO and the officers in charge of promoting sustainability hold regular high-level discussions with external sustainability experts with the goal of confirming the direction of the Company and improving its efforts in an era of high uncertainty and rapid change.

Events to Date

1st - Feb. 2022: Understanding Global Trends in Climate Change and the Risks and Opportunities for NEC

2nd - May 2022: The Progress of Sustainability Promotion and Our Response to the Human Rights Risks under Purpose-driven Management

3rd - Feb. 2023: Emphases for NEC and its Businesses to Achieve a Nature Positive Mindset

4th - May 2023: Transforming Sustainability into Growth Opportunities

The following three experts are committee members.

Peter David Pedersen (Chair)

Co-Founder, Next Leaders' Initiative for Sustainability (NELIS)
Professor, Graduate School of Leadership and Innovation, Shizenkan University
Chairman, Transagent Co., Ltd.
Outside Director, Marui Group
Independent Outside Member of the Board, Meiji Holdings Co., Ltd.

Masaru Arai

Chair of the Japan Sustainable Investment Forum (JSIF)
Senior engagement consultant at Federated Hermes EOS
Member of the FTSE Russell ESG Advisory Committee
Member of the FTSE Russell Sustainable Investment Advisory Committee
Former board member of the United Nations-supported Principles for Responsible Investment

Asako Nagai

Managing Director at Business for Social Responsibility (BSR)

Sustainability Advisory Committee Member Profiles

Management for Sustainability

Participation in International Initiatives

GRI 2-28	NEC is taking part in a variety of initiatives in pursuit of its goal to help achieve the SDGs and create a sustainable society.	
	United Nations Global Compact (UNGC) Has been a participant since 2005	World Economic Forum (WEF) Has been a member of World Economic Forum engagement since 2017
	SBTi Has committed to setting greenhouse gas emissions as SBTs since 2017, with targets certified as at the “SBT 1.5°C level” in May 2021	Task Force on Climate-related Financial Disclosures (TCFD) Endorsed in 2018
	RE100 Joined in May 2021	Business Ambition for 1.5°C Became a signatory in September 2021
	Taskforce on Nature-related Financial Disclosures (TNFD) Has participated as a forum member since March 2022	SBT for Nature Has participated as a Corporate Engagement Program member since March 2022
	The Climate Pledge Became a signatory in September 2022	
	Women’s Empowerment Principles (WEPs) Became a signatory in April 2023	30% Club Japan Joined in October 2020
	Business for Social Responsibility (BSR) Became a member in 2020, and is taking part in the Human Rights Working Group	The Valuable 500 Became a signatory in 2019

Dialogue and Co-creation with Our Stakeholders

Dialogue and Co-creation with Our Stakeholders

GRI

2-6

2-28

2-29

413-1

Values are constantly changing for our customers and society. To supply products and services that deliver real value, NEC needs to incorporate processes for dialogue and co-creation with stakeholders into its corporate activities.

Our commitment to promoting dialogue and co-creation with stakeholders is embedded in the concept of “Orchestrating” as stated in our Purpose, “Orchestrating a brighter world” within the NEC Way. The following are examples of the main dialogue and co-creation that we conducted in fiscal 2023.

	Themes and objectives	Communication method	Reference
Customers	<ul style="list-style-type: none"> Contribution to resolving social issues through business activities Customer satisfaction (CS) activities aligned to customer characteristics Disclosure of appropriate information about products and services 	<ul style="list-style-type: none"> Sales activities CS activities Established NEC Customer Communication Centers Advertising, PR Holding of NEC Visionary Week 	<p>Implementation Examples (Contributions to SDGs, Environmental Solutions Website (Japanese only))</p> <p>NEC's Customer Satisfaction Enhancement Activities</p> <p>Customer Relationship Management</p> <p>Advertising</p>
Shareholders and investors	<ul style="list-style-type: none"> Timely, appropriate provision of information Promotion of understanding of the Company, acquisition of feedback from capital markets ESG activity reports and exchanges of opinions 	<ul style="list-style-type: none"> Financial results presentation meeting (quarterly) General Meeting of Shareholders (annually) NEC IR Day Briefing on ESG NEC Innovation Day Individual meetings with analysts Sustainability Advisory Committee 	<p>Financial Documents</p> <p>Briefing on ESG</p> <p>Sustainability Advisory Committee</p>
Business partners	<ul style="list-style-type: none"> Strengthening of partnerships Construction of better supply chains Fair procurement activities 	<ul style="list-style-type: none"> Implementation of Guidelines for Responsible Business Conduct in Supply Chains Partner exchange meetings Policy briefings Document check Supplier Visit Records (SVRs)* Compliance Hotline 	<p>Supply Chain Management</p> <p>Respecting Human Rights</p>
Employees	<ul style="list-style-type: none"> Understanding the status of employee engagement Exchange of opinions between employees and management Human resource development and evaluation Promoting appropriate treatment and occupational health and safety 	<ul style="list-style-type: none"> One NEC Survey (annual) Pulse Survey (every three months) The NEC Way Day Town hall meetings with the NEC president One-on-one meetings between supervisors and team members (monthly) Health and safety committees Labour-management councils 	<p>Environmental Management</p> <p>Securing and Retaining Employees and Labour Practices</p> <p>Occupational Health and Safety</p>
United Nations and international institutions, national and local governments	<ul style="list-style-type: none"> Sustainable growth of society and companies Sustainable development of international society and contribution to the SDGs Compliance with laws and regulations 	<ul style="list-style-type: none"> Participation in global initiatives to enhance sustainability Public-private sector collaboration projects Policy declarations 	<p>Message from the President and CEO</p> <p>Participation in International Initiatives</p> <p>Environmental Management</p> <p>NEC Initiatives for Contributing to the Achievement of the SDGs</p> <p>Co-creation with international organizations</p>
NPOs and NGOs, civil society	<ul style="list-style-type: none"> Understanding feedback from society Co-existence with local communities Development of young social entrepreneurs 	<ul style="list-style-type: none"> Sustainability Advisory Committee Collaboration with international NPOs and NGOs NEC Make-a-Difference Drive corporate citizenship activity NEC Social Entrepreneurship School NEC Pro Bono Initiative 	<p>Sustainability Advisory Committee</p> <p>Corporate Citizenship Activities</p>
Students	<ul style="list-style-type: none"> Understanding feedback from society Supporting the learning of the next generation 	<ul style="list-style-type: none"> NEC Future Creation Program e-Net-Caravan 	<p>NEC CAREERS (Japanese only)</p> <p>Inclusion and Diversity</p>

* Initiatives to inspect sustainable procurement requirements during routine visits to suppliers and accumulate records

Materiality (Priority Management Themes from an ESG Perspective)

Approach to Materiality

GRI
2-17
3-2

“Materiality” refers to priority management themes from an ESG perspective. We identify materiality from the perspective of risks and opportunities, referring to global guidelines in considering the impact of our materiality on both NEC and society through dialogue with experts and stakeholder representatives in various fields.

A part of our financial strategies in the Mid-term Management Plan 2025 involves identifying and implementing initiatives to address seven priority management themes to strengthen the non-financial foundation that encompasses ESG and underpins the sustainable growth of companies and society.

In fiscal 2024, we have further clarified our approach to increasing corporate value by addressing ESG issues in an integrated manner to both reduce risks and generate growth and opportunities. We positioned our seven priority management themes as our “Fundamental Materiality” with the objective of reducing risk and increasing our growth rate. The social and environmental themes to be created by the growth businesses in the Mid-Term Management Plan 2025 and the next pillar of growth businesses have been organized into five themes as “Growth Materiality” to create growth/opportunities and improve the growth rate.

Corporate Value Formula and Materiality

Opportunities

Free Cash Flows

Corporate Value =

Capital Costs

Growth Rate

Risk Reduction and Opportunities

• Growth Materiality

- A Society That Enables Well-being through the Digitalization of Government and Financial Institutions

- Stress-free Communication with Low Environmental Impact

- Transforming Society and Industry with the Power of Digital Technology

- Living Freely in Our New Era of Healthcare and Life Science

- Driving Carbon Neutrality for Our Customers and Society

E

S

G

• Fundamental Materiality

-Environmental Action with a Particular Focus on Climate Change (Decarbonization)

-Security to Maximize ICT Possibilities

-Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)

-Diverse Human Resource Development and Cultural Transformation

-Corporate Governance

-Supply Chain Sustainability

-Compliance

The chart below contains a matrix showing the positioning and objectives of our Growth Materiality and Fundamental Materiality through the lens of our formula for calculating corporate value. We will promote businesses with significant social, environmental and economic value by addressing our Fundamental and Growth Materialities while aiming for continuous inclusion in major ESG indices.

The job descriptions of inside directors and relevant officers clearly task them with addressing materiality, which is also a component of the key performance indicators used to evaluate the performance and effectiveness of officers. In addition, we will employ evaluations and feedback from various stakeholders obtained through ESG surveys, direct dialogue and other channels to structure a robust and resilient financial and non-financial base over the medium to long term.

External Ratings and Evaluations (Inclusion in ESG Indices)

Materiality (Priority Management Themes from an ESG Perspective)

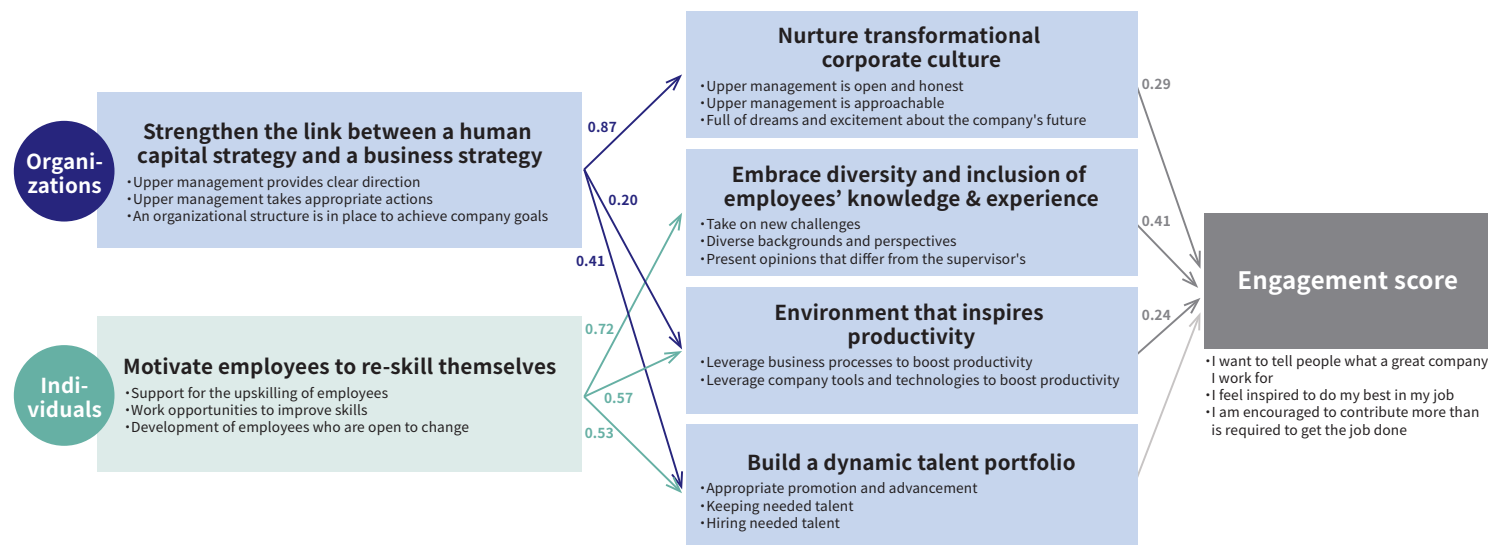
Continuously Improve Non-Financial Measures to Maximize Financial Impact

In line with the Mid-Term Management Plan 2025 goal of continuous inclusion in major ESG indices, we continued to be included in the Dow Jones Sustainability Indices (DJSI) and the FTSE4Good Index Series in fiscal 2023. Risk management is a focus of evaluation for many ESG indices, so we recognize the insufficiency of indicators for evaluating initiatives linking ESG and sustainability with opportunities and growth. In addition, we cannot measure the direct impact of non-financial initiatives on financial performance.

Accordingly, in fiscal 2022 we conducted analyses in collaboration with ABeam Consulting Ltd. that clarified the particularly strong correlation between human capital and price book ratio. We then carried out a causal analysis of our initiatives that clearly showed their causal relationships with an improved engagement score, one of the KPIs of the Mid-term Management Plan 2025, in order to confirm and improve the effectiveness of measures related to human capital in fiscal 2023.

The chart below shows the results of an engagement survey of all NEC employees, categorized with reference to the "three perspectives and five common factors in human resources strategy" in *ITO Report for Human Capital Management*. The chart summarizes the causal relationships that affect engagement scores, and the results from analyzing the structure and degree of impact using NEC's unique causal analysis solutions. We realized that for NEC, engagement score causality originates from two points: the organizational perspective of "Strengthen the link between a human capital strategy and a business strategy" and the individual perspective of "Motivate employees to re-skill themselves." In addition, we found that the impact path is connected from these starting points to "Nurture transformational corporate culture," "Embrace diversity and inclusion of employees' knowledge & experience," "Environment that inspires productivity," and "Build a dynamic talent portfolio," and "Engagement score."

Causal analysis of NEC's human capital management initiatives and engagement scores



1. See "Three perspectives and five common factors essential for a human capital strategy" in *ITO Report for Human Capital Management*, published by Japan's Ministry of Economy, Trade and Industry.
2. Analyzed with NEC's AI-driven causal analysis.

The results were aligned with NEC's longstanding goal of coexistence between the NEC Way and My Way (that of each individual).



At the same time, our analysis was unable to confirm a causal relationship between "Build a dynamic talent portfolio" and "Engagement score."

We look forward to confirming causal structures by introducing measures such as a role-based remuneration system that provides well-balanced treatment.

Our analysis was unable to confirm financial impact. However, we remain committed to the cycle of confirming and improving the effectiveness of non-financial measures to identify and allocate appropriate investment to non-financial initiatives that support increased corporate value.



Materiality (Priority Management Themes from an ESG Perspective)

Evolution of the Definition Process

GRI 3-1	<p>NEC defined its materiality in fiscal 2019 and first redefined it in fiscal 2021. We redefined our current materiality in fiscal 2022 upon reformulating the Mid-term Management Plan 2025. We complemented Fundamental Materiality with Growth Materiality, which is focused on generating growth and opportunities.</p>	<p>This materiality was determined with reference to ISO 26000, the GRI Standards, the principles of the UN Global Compact, the SDGs and the SASB Materiality Map, among others, and through dialogue with experts in various fields and with representative stakeholders.</p>
	<p>Fiscal 2019—Defining Our Materiality In fiscal 2019, we defined our materiality. When doing so, we were highly mindful of our dialogue with experts in a variety of fields and with representative stakeholders, as well as the connection it would have with our mid-term management plan. As a first step, we created a list of social issues that could potentially be priority themes, with reference to global guidelines and taking into account NEC's particular business characteristics. We then conducted a survey of employees to determine the impact NEC could have on these issues, and what impact these issues would have on NEC. We then drew up a materiality matrix that centered on these impacts and the importance of these social issues. After this process, we highlighted issues that had a high level of importance, and therefore a high level of impact, on both NEC and society and tentatively defined these issues as materiality—themes that NEC should tackle with a high priority. In addition, we consulted with external experts regarding this approach.</p>	<p>After doing so, we set non-financial indicators to measure the progress of our materiality initiatives, aiming to best quantify outcomes in terms of the level of positive value provided to society. We also engaged in dialogue with external experts at this stage in order to organize our materiality, after which the materiality and the corresponding indicators were reported to the Board of Directors, which then decided upon them.</p> <p>Definition Process for Fiscal 2019 Materiality  “Sustainability Management” on page 3 of Sustainability Report 2018</p>
	<p>Fiscal 2021—Redefining Our Materiality In 2020, we revised the NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself. In keeping with this change, we removed “Dialogue and Co-Creation with Our Stakeholders,” “Innovation Management,” and “Governance and Compliance” as materiality, as these were incorporated into the NEC Way. The six remaining themes were reported as materiality to the Board of Directors, which then decided upon them.</p>	<p>Materiality Reset in Fiscal 2021  “Priority Management Themes from an ESG Perspective—Materiality” on page 8 of Sustainability Report 2020</p>
	<p>Fiscal 2022—Reviewing Our Materiality We reviewed the materiality set in the Mid-term Management Plan 2025 based on the materiality defined in fiscal 2019. This review was conducted in light of changes in the business environment and social demand, after holding workshops for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses, and after dialogue with external experts. Materiality was then defined according to the following criteria.</p> <ul style="list-style-type: none"> • Non-financial (ESG/future financial) management foundation themes that have a significant positive or negative impact on society and the environment, as well as on the Company • Themes where progress can be measured or visualized from a social or environmental perspective 	<p>As a result, we decided to exclude the two themes categorized under “2020 Growth Focus to Create Social Value,” which are both business themes, and to continue to work on the four themes categorized under “Sustainable Growth Enablers.” Furthermore, at the aforementioned workshops held for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses, it was confirmed that “corporate governance,” “supply chain sustainability,” and “compliance” are also essential themes for promoting businesses with high social and public value, and for gaining the trust of society. Accordingly, the seven themes on the following page were reported to the Board of Directors as materiality for the Mid-term Management Plan 2025.</p>
	<p>Fiscal 2024: Studies to Review Materiality NEC believes that in addition to reducing risk, ESG drives the generation of growth and opportunities. As such, we expect to increase corporate value by integrating and managing these two aspects of ESG.</p>	<p>Therefore, in fiscal 2024 we drew up a matrix of the growth businesses and future growth businesses of the Mid-term Management Plan 2025 from which we intend to generate social value and our Growth Materiality, which will generate growth and opportunities and increase our growth rate. In addition, we positioned the seven priority management themes as our Fundamental Materiality with the goal of reducing risk and improving our growth rate. We will further strengthen management that integrates financial and non-financial issues, centered on our Growth and Fundamental Materialities.</p>

Materiality (Priority Management Themes from an ESG Perspective)

Initiatives to Address Growth Materiality

A Society that Enables Well-being through the Digitalization of Government and Financial Institutions (DG/DF) <p>We will build an infrastructure that enables highly transparent and fair use of government and financial services and ensures that said services are customer-centered and tailored to the needs of each individual through the use of extremely reliable digital technology.</p>	Living Freely in Our New Era of Healthcare and Life Science <p>We will achieve advanced personalized treatment, comprehensive medical services, and lifestyle support, promoting new business development with AI and image recognition technology.</p>
Stress-free Communication with Low Environmental Impact (Global 5G) <p>We will enable a wide range of entities —from individuals to businesses and government agencies— to make extensive use of information, leading to richer and brighter lives for everyone, anywhere, at all times by implementing high-speed, high-capacity, low-latency telecommunications environments that support enhanced access to information, new DX services, and disaster prevention.</p>	Driving Carbon Neutrality for Our Customers and Society <p>We will contribute to carbon neutrality throughout society by supporting our customers' decarbonization efforts, including initiatives within manufacturing supply chains, with digital technologies such as IT networks and AI.</p>
Transforming Society and Industry with the Power of Digital Technology (Core DX) <p>We will promote digital transformation in both society and industry by leveraging our technological strengths in AI, biometrics, and security, as well as our abundant expertise in human resources in areas such as cloud services, agile development, and data science.</p>	<p>Targets and progress of Growth Materiality are identical to those of the growth businesses under the Mid-term Management Plan 2025.</p> <p> Mid-term Management Plan 2025</p> <p> Fiscal Results for the Fiscal Year Ended March 31, 2023 (See page 23)</p>

Initiatives to Address Fundamental Materiality

GRI 3-2 3-3	Targets and Progress of Fundamental Materiality under the Mid-term Management Plan 2025		
	Materiality	KPIs for fiscal 2026	Results for fiscal 2023
	Environmental Action with a Particular Focus on Climate Change (Decarbonization)	• 25.0% reduction in Scope 1 and Scope 2 CO ₂ emissions (compared with fiscal 2021) ¹ to achieve carbon neutrality by 2040	• Approximately 21.0% reduction in Scope 1 and Scope 2 CO ₂ emissions (compared with fiscal 2021)
	Security to Maximize ICT Possibilities	• Three times the number of internationally certified personnel (compared with fiscal 2021) ¹	• More than 300 internationally certified personnel, double the number in fiscal 2021
	Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)	• Application of the NEC Group AI and Human Rights Principles	• Application of the NEC Group AI and Human Rights Principles
	Diverse Human Resource Development and Cultural Transformation	• Engagement score: 50% • Ratio of female managers to all managers: 20% Ratio of female and non-Japanese officers ² to all officers: 20% ⁴	• Engagement score: 36% • Ratio of female managers to all managers: 8.0%, Ratio of female and non-Japanese officers ³ to all officers: 9.4% ⁴
	Corporate Governance	• Increase sophistication of governance by transitioning to a company with a Nomination Committee, etc., with a majority of independent outside directors ⁵	• Considered changing organizational design ⁵
	Supply Chain Sustainability	• Suppliers agreeing to the Procurement Guidelines: 75% ⁶	• Suppliers who have agreed to the Procurement Guidelines: 83% ⁶
	Compliance	• Zero cases of serious involvement with cartels and/or bid-rigging	• Zero cases of serious involvement with cartels and/or bid-rigging
<p>1. Target increased in fiscal 2024.</p> <p>2. Directors, executive officers, corporate senior executive vice presidents, corporate executive vice presidents and corporate senior vice presidents of the Company as of March 31, 2026 (including executive officers, corporate senior executive vice presidents, corporate executive vice presidents and corporate senior vice presidents determined during fiscal 2026 and transferred as of April 1, 2026).</p> <p>3. Company directors, Audit and Supervisory Board members, and executive officers as of March 31, 2023.</p> <p>4. The actual ratio of female managers to all managers and the ratio of female and non-Japanese officers to all officers for the Company as of March 31, 2023. As of April 1, 2023, the ratio of female managers to all managers was 8.9%, and the ratio of female and non-Japanese officers (directors, Audit and Supervisory Board members, executive officers, corporate senior executive vice presidents, corporate executive vice presidents and corporate senior vice presidents) to all officers was 14.8%.</p> <p>5. These KPIs were determined along with other FY2026 KPIs when the Mid-term Management Plan 2025 was announced, but quantitative details were not disclosed until the information on changes in organizational design were announced.</p> <p>6. Percentage based on procurement amount.</p>			

Materiality (Priority Management Themes from an ESG Perspective)

Details of Initiatives for Fundamental Materiality

Environmental Action with a Particular Focus on Climate Change (Decarbonization)

In October 2018, NEC received “SBT well below 2°C” certification for its goal of reducing CO₂ emissions by 33% by fiscal 2031 (compared to fiscal 2018. Scope 1 and 2 total absolute values). Furthermore, in May 2021, we raised the target levels of Scope 1 and 2, and were certified as “SBT 1.5°C” with the goal of strengthening our reduction target to 55% by 2030. In 2022, we also signed The Climate Pledge, which aims to achieve net zero carbon emissions by 2040. As in fiscal 2022, during fiscal 2023 we implemented thorough energy conservation and expanded our use of renewable energy.

Climate Change

Security to Maximize ICT Possibilities

We aim to minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also strengthening information security, and provide products, systems and services that incorporate security measures and case studies taken from the NEC Group's own information security practices as a reference to realize a secure information society.

Moreover, one of our responsibilities regarding social infrastructure is reinforcing the development of information security professionals to protect the information assets entrusted to us by our customers and business partners as well as the Group's own information assets.

As part of this effort, we are increasing the number of people recognized as Certified Information Systems Security Professionals by the International Information System Security Certification Consortium (ISC)² of the United States.

Information Security and Cyber Security

Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)

In accordance with the NEC Group AI and Human Rights Principles, NEC is committed to the following three initiatives:

1. Ensure that all products and services are implemented and utilized by NEC, customers, and partners appropriately
2. Continue to develop advanced technology and talent to further promote AI utilization, with respect for human rights as the highest priority
3. Promote engagement and collaboration with a range of stakeholders in using AI

In addition, we apply this policy with the objective of strengthening AI governance based on trends in laws and regulations in Japan and abroad, and maintaining dialogue with various stakeholders.

AI and Human Rights

Diverse Human Resource Development and Cultural Transformation

Based on the NEC Way and our HR Policy, “transformation of people and culture” is a tenet of the Mid-term Management Plan 2025.

We will accelerate diversity, which is the source of innovation, and implement workstyle reforms that support the working styles of diverse talent.

Inclusion and Diversity

Human Resource Development

Securing and Retaining Employees and Labour Practices

Corporate Governance

To continuously create social value and maximize corporate value, we promote corporate governance based on the following basic policies.

1. Assurance of transparent and sound management
2. Realization of prompt decision-making and business execution

3. Clarification of accountability
4. Timely, appropriate and fair disclosure of information

Corporate Governance

Supply Chain Sustainability

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

We will continue to promote activities to ensure that all suppliers are aware of the Guidelines for Responsible Business Conduct in Supply Chains and submit declarations pledging to uphold its contents.

Supply Chain Management

Compliance

In order for NEC to continue to be a company society trusts as a Social Value Innovator, it must uphold its Principle of “uncompromising integrity and respect for human rights.” Above all, the practice of compliance is an essential initiative for earning the trust of society as a Social Value Innovator.

All officers and employees have signed the Statement of Agreement for the NEC Group Code of Conduct. Each and every one of us recognizes compliance as a personal matter and acts in accordance with the code every day.

Compliance

Environmental Management

Policies and Long-Term Guidelines for Environmental Initiatives

Policy

As part of its corporate social responsibility activities, NEC engages in environmental management. NEC seeks to reduce environmental burdens across society by providing environmentally friendly products and services, as well as reducing the environmental burden of its own business activities, by conserving energy at its facilities and at the transportation stage, and by reducing the chemical substances it uses. Also, to promote environment-oriented management Groupwide—including NEC on a non-consolidated basis, affiliated companies, production bases and research facilities—the Company has established the NEC Environmental Policy, which sets out action guidelines. Moreover, we rigorously ensure that all actions of employees and corporate officers comply with this policy.

Furthermore, we require all suppliers, contractors and other stakeholders engaged in our supply chains to behave in a manner consistent with relevant guidelines and agreements while considering the environment.

NEC Environmental Policy

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

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

Course of Action for Climate Change Toward 2050

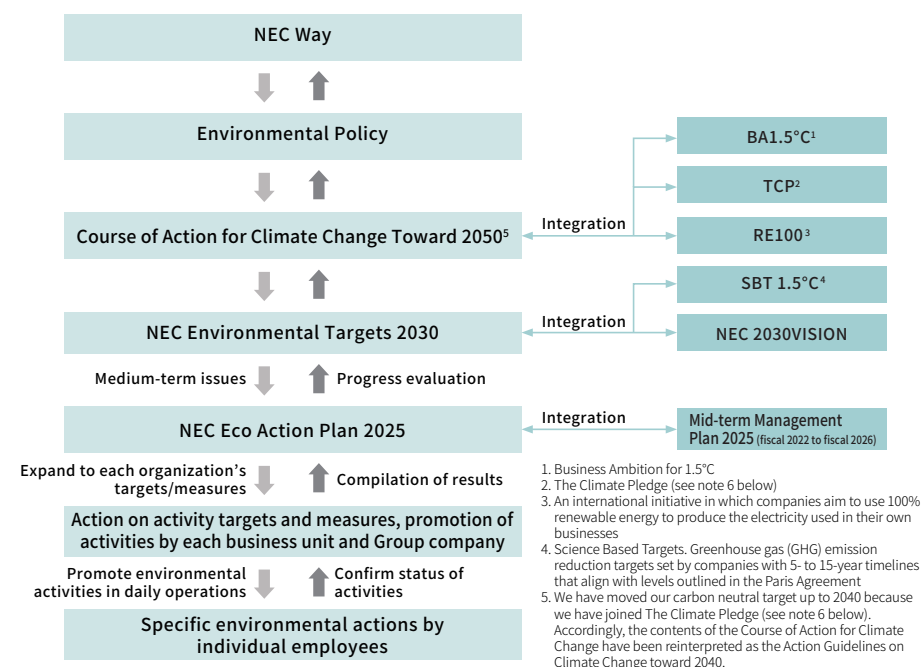
In 2017, we formulated the Course of Action for Climate Change Toward 2050 as our long-term stance on climate change. This policy has four quadrants for mitigating and adapting to climate change, and expresses NEC's ambition to co-create a sustainable society with customers and reinforce its business foundation to make it more sustainable.

NEC has joined The Climate Pledge⁶ climate change initiative to accelerate its carbon neutral programs, and has moved its target for achieving carbon neutrality up to 2040. Accordingly, the contents of the Course of Action for Climate Change Toward 2050 have been reinterpreted as the Action Guidelines on Climate Change toward 2040.

6. An initiative launched jointly by Amazon and Global Optimism in 2019. It is a pledge to target carbon neutrality by 2040—10 years earlier than the Paris Agreement—through cooperation among companies, organizations and individuals to address climate change issues and promote decarbonization of the economy.

Position of Environmental Management

At NEC, we have set medium- and long-term environmental targets based on the NEC Way that align with trends both inside and outside the Company. With the aim of being carbon neutral by 2040, we are currently defining specific activities for the NEC Eco Action Plan 2025, a five-year plan from fiscal 2022 through fiscal 2026, and are encouraging all of our employees to take action.



I. Building a sustainable management foundation
To reduce CO₂ emissions from our supply chains to zero, we are taking steps to improve the energy efficiency of our products and working with our suppliers to reduce their CO₂ emissions. In addition, we are advancing measures to counter risks throughout our supply chains by mitigating the impact of climate change.

- Aiming for zero CO₂ emissions from our supply chains
- Implementing strict countermeasures against climate change risks in our supply chains

II. Achieving a sustainable society through collaboration
Through the provision of ICT solutions, NEC helps its customers and society reduce CO₂ emissions. We aim to realize a safe and secure society by supporting preparations for disasters, and predicting and forecasting potential natural disasters.

- Realizing a low-carbon society as a goal for the planet
- Realizing a safe, secure society that is resilient to climate change risks

Environmental Management

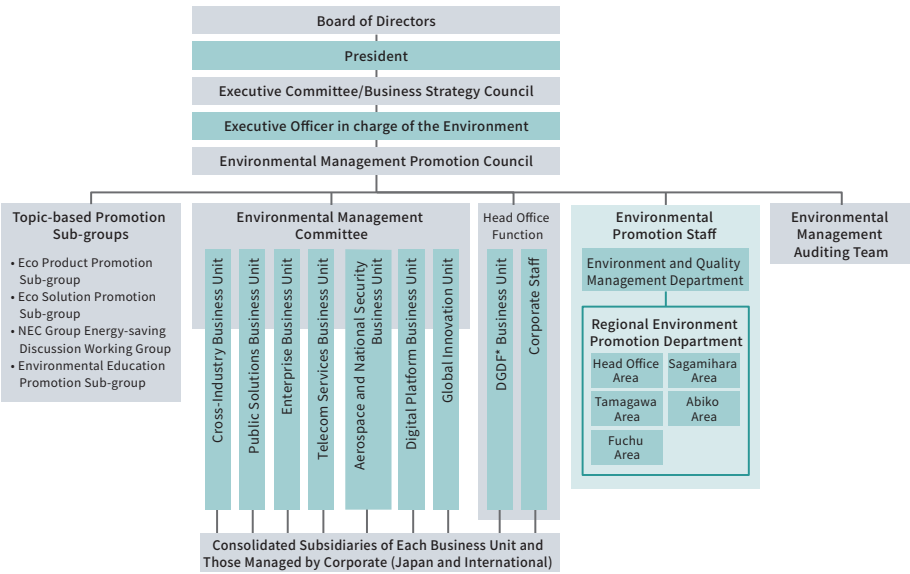
Environmental Management System

Environment-oriented Management Implementation Framework

NEC has put into place a system for advancing environmental management that contributes to the creation of a sustainable society through business activities that consider the environment. NEC has also formulated and implemented rules for environmental management to clarify the roles, responsibilities, and authorities of each organization that puts environmental management into practice.

Discussions are held regarding strategies and the impact of important environmental issues, including climate change, on business execution at the Executive Committee or at the Business Strategy Council (consisting of executive officers, among others), both of which discuss management issues at NEC. Matters to be discussed by the Executive Committee or by the Business Strategy Council are debated beforehand by the environmental management committees in each business unit, as well as by special sub-groups for each topic, and depending on their importance, matters are also deliberated on by the Environmental Management Promotion Council, which comprises managers in charge of the environment in each business unit.

Matters that have a significant impact on NEC’s operations are discussed by the Board of Directors. Each business unit has established environment-oriented management committees and a system for specific measures to be carried out by its divisions, affiliated companies, and subsidiaries of NEC throughout the world. By forming specific action plans based on the environmental strategy devised by the Executive Committee or by the Business Strategy Council, and the Board of Directors, we can implement consistent environment-oriented management throughout NEC.



Environmental Audit and ISO 14001 Inspection


NEC has established a Groupwide environmental management system based on ISO 14001.


Each Group company conducts in-house environmental audits while the Environment and Total Quality Management Department conducts audits of environment-oriented management. The latter audits are conducted by specialized auditors, including certified ISO 14001 auditors. Audits of environment-oriented management particularly focus on the relationship between each division’s operations and environmental strategy, the progress of environmentally considerate product development, environmental impact reduction, risk management and monitoring of overall environmental activities such as ISO 14001 conformance, including examination of the effectiveness of the internal environmental audits.

The results of these audits are verified through ISO 14001 audits undertaken by an external investigative body.

ISO 14001: 2015 Certification (As of April 2023)

Japan	International	Total
33 companies	16 companies	49 companies

 NEC Group Companies List with ISO 14001 Certification

 ISO 14001 Certification Registrations in the NEC Group

Environmental Auditor Training

NEC provides environmental auditors with annual classroom training in areas that include legal revisions and audit policies. Our auditor training, which is designed to improve the quality of audits, includes a strict review of audit objectives, priority items and changes that were determined based on the results of environmental management audits in the previous fiscal year.

In particular, with respect to legal and other matters, we are working to make enhancements by building on general explanations with specific explanations of focus points including business-specific matters and issues raised in the audit in the preceding fiscal year.

Our training program also includes group discussions among all auditors, as well as other techniques to enhance the competence of auditors in terms of both knowledge and action.

Environmental Management

Environmental Management System

GRI 303-2 308-2	<p>Environmental Risk Countermeasures</p> <p>Recognizing the impact that such environmental risks as climate change and pollution by hazardous substances could have on its businesses, NEC conducts risk reduction and prevention activities through assessment, inspection, and education.</p> <p>We classify risk countermeasures under three risk categories: plant-related risks, product-related risks, and sales and maintenance-related risks. In the first category, countermeasures for plant-related risks cover risks related to leaks of hazardous substances, soil contamination, and groundwater contamination caused by natural disasters or equipment failure. To help prevent such environmental accidents, we conduct prior environmental risk assessments as well as education and training. In the second category, countermeasures for product-related risks are focused on risks such as the inclusion in products of substances regulated by the Restriction of Hazardous Substances (RoHS) Directive in the European Union and violations of labeling regulations. To address such risks, we conduct product assessments to ensure strict compliance with guidelines and use in-house systems to implement centralized management of information. As for the third category, countermeasures for sales and maintenance-related risks are aimed at mitigating such risks as violations of the Waste Management and Public Cleansing Act due to inadequate consignment of waste treatment. Our countermeasures include efforts to ensure compliance by issuing guidelines on waste and regularly conducting education for sales department personnel. In conjunction with these efforts, we have established the Environmental Escalation Manual for Emergencies to strengthen our governance of environmental risks.</p> <p>Our risk management system includes the Risk Control & Compliance Committee. If a risk is identified that may have a significant effect on businesses, the Risk Control & Compliance Committee deliberates on countermeasures. The committee fulfills a supervisory function for specific risk measures by checking the results of activities, problems, and future plans and by issuing directives on where measures should focus. Furthermore, reports are submitted to the Executive Committee and the Board of Directors, as necessary.</p> <p>Details of the risks associated with each environmental issue are available at the links below.</p> <p>Climate Change</p> <p>Water Risk Management and Effective Use of Water Resources</p> <p>Resource Circulation and Pollution Prevention</p> <p>Biodiversity</p> <p>Development of Environmentally Friendly Products</p>	<p>Legal Violations, Accidents, and Complaints</p> <p>Since fiscal 1999, NEC has used its website to disclose any fines or penalties levied on the Company related to the environment. In both fiscal 2022 and fiscal 2023, NEC was not subject to any fines or penalties related to the environment inside or outside the Company. There were no accidents that affected the areas beyond the perimeters of our sites; there were four environmental accidents that were contained within our sites; and three complaints were received.</p> <p>Soil Pollution Countermeasures</p> <p>Among the substances covered by the Soil Contamination Countermeasures Act, NEC completely discontinued the use of the VOCs trichloroethylene and tetrachloroethylene in 1998 and 1,1,1-trichloroethane in 1993. Furthermore, as far as possible NEC has continued to conduct independent soil surveys.</p> <p>We will continue to conduct soil surveys and comply with the Soil Contamination Countermeasures Act, related ordinances, and the directives of the administrative agency with jurisdiction and will continue taking appropriate measures.</p> <p>Prevention Activities: Groupwide Dissemination of Information on Near-misses</p> <p>As minor incidents are a potential cause of environmental incidents, we thoroughly investigate their causes and implement technological countermeasures even for minor incidents at the near-miss level. NEC's findings are then passed on to affiliated companies in Japan and abroad, and corrective measures are checked. In this way, we advance accident prevention.</p>
	<p>Environmental Training for All Employees</p> <p>NEC conducts environment-related web-based training (in five languages) for all employees at offices around the world. Completion rates were 96.6% in Japan (over the 95% target) and 95.3% overseas (over the 90% target).</p> <p>Note: Percentages of employees who completed courses are based on the number of employees asked to take the courses.</p>	<p>Environment Month</p> <p>Theme for fiscal 2023: "Let's act for a sustainable future! Let's take the first steps today for a better future tomorrow."</p> <p>Environment Month included food events co-sponsored with NEC Livex at NEC cafeterias, environment-related film screenings, Zero Carbon Action 30 declarations of action, and lectures and panel discussions for participants to learn about NEC's environmental initiatives. A total of 14,000 employees participated.</p>

Environmental Management

Medium-term Environmental Plan Progress

GRI

305-1

305-2

305-3

305-5

308-2

Progress and Revisions of NEC Eco Action Plan 2025

We have compiled NEC Eco Action Plan 2025, a medium-term action plan for promoting Groupwide initiatives to achieve the goals set within our long-term environmental policy, and are expanding this plan to each business unit and Group company. We determined priority initiatives from the following three perspectives.

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

1. Reduce own risks and environmental footprint

	Themes			Indicators		Fiscal 2023 targets	Fiscal 2023 results	Evaluation	Fiscal 2024 targets	Fiscal 2026 targets
(1)	Reduce CO ₂ emissions	Scope 1, 2	Reduce total emissions (absolute value) (SBT)	Reduction rate of energy-derived CO ₂ emissions (absolute value) (compared with FY2018)		-21.9%	-45%	Achieved	-15%	-25%
(2)			Scope 3	Expand use of renewable energy	Amount of electric power used from renewable energy		74,000	180,072	Achieved	Note: New higher targets based on The Climate Pledge membership with FY2021 as the baseline
(3)		Reduce Category 1 emissions (SBT)		Reduction rate (compared with FY2018)		-3%	+5%	Not Achieved	213,000	220,500
(4)		Reduce Category 11 emissions (SBT)	Improvement rate of product energy efficiency (compared with FY2014 products)		75%	61%	Not Achieved	Note: Higher targets based on the results of full-scale introduction by Group companies and The Climate Pledge membership		
									-4%	-6%
									70%	80%
									Note: Revised targets based on changes in product mix	
(5)	Reduce water usage			Reduction rate (compared with FY2019)		-2.0%	-25%	Achieved	-9.5%	-10.5%
									Note: Revised targets based on usage reductions due to COVID-19 and other factors	
(6)	Reduce waste emissions			Reduction rate (compared with FY2019)		-2.7%	-9.9%	Achieved	-3.4%	-4.8%
(7)	Encourage recycling of plastic resources (new itemized targets from FY2024)			Reduce plastic waste output	Reduction targets (compared with FY2020)	—			-2.8%	-4.2%
					Information disclosure	—			Disclosure	

2. Increase contributions through businesses

	Themes	Fiscal 2023 targets	Evaluation	Fiscal 2024 targets	Fiscal 2026 targets
(8)	Manage environmental assets and encourage eco appeal	<ul style="list-style-type: none"> • Update environmental assets (as needed, with an annual review) • Encourage eco appeal (manage outcomes) 	Achieved	(Ongoing targets)	
(9)	Create new environmental solutions and create new themes for R&D	<ul style="list-style-type: none"> • Conduct at least one workshop for evaluating environmental businesses 	Achieved	(Ongoing targets)	

3. Build foundations to promote environmental management

	Themes	Indicators	Fiscal 2023 targets	Fiscal 2023 results	Evaluation	Fiscal 2024 targets	Fiscal 2026 targets
(10)	Increase environmental awareness among all employees	Attendance rate	Japan	95%	96.6%	Achieved	At least 95%
			International	90%	95.3%	Achieved	At least 95%

Environmental Management

Medium-term Environmental Plan Progress

GRI
305-7


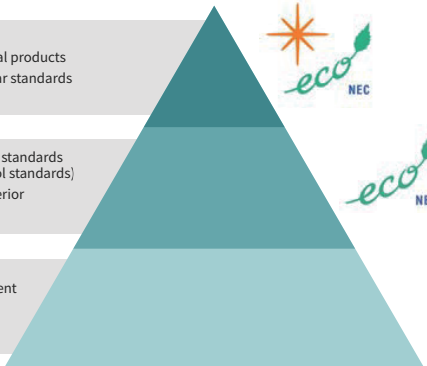
Management Items

To advance environmental management, NEC has defined “priority items” in addition to “management items,” which are geared toward improving the level of activities that do not necessarily require targets and plans.

Areas	Themes	Management contents		Targets
Reduction of own environmental impact	Preventing global warming	1	Reduction rate of energy usage (consumption intensity)	Achieve 1% decrease year on year
		2	Reduction rate of energy usage intensity from logistics	Achieve 1% decrease year on year
	Promoting effective use of resources	3	Zero emissions	Continue to meet target
		4	Amount of paper purchased (copy paper, EDP paper)	Maintain or reduce levels from FY2006 (by subsidiary)
		5	Reuse of collected used products	Achieve reuse rate of 90% or more
	Preventing pollution (air and waste quality)	6	NOx and SOx emissions	Reduce by 1% or more compared with FY2018
		7	BOD and COD emissions	Reduce by 1% or more compared with FY2018
	Reducing chemical substance usage	8	Amount of chemical substances purchased	Reduce by 1% or more compared with FY2018
		9	VOC emissions	Reduce by 1% or more compared with FY2018
Risk countermeasures	Legal compliance (for notification, reporting, and emissions)	10	Chemical substance balance management	Achieve 100% implementation rate
		11	Chemical substance purchasing regulations	Achieve 100% implementation rate
	Compliance with RoHS rules	12	Conformance status of all products	Achieve 100% compliance
	Environmental assessments	13	Preliminary evaluation of chemical substances and new waste/assessment of manufacturing methods	Achieve 100% implementation rate
		14	Environmental assessments when constructing or demolishing factories and buildings	Achieve 100% implementation rate
Reduction of environmental impact of products and solutions	Hardware products	15	Percentage of devices that do not use brominated flame retardant in their plastic casing	At least 95%
		16	Percentage of devices that use eco-plastics in their plastic casing	—
		17	Continued acquisition of Eco Symbol Star certification	Achieve 100% implementation rate
	Software products	18	Implementation rate of environmental assessments	Achieve 100% implementation rate
		19	Implementation rate of products subject to environmental impact evaluation	Achieve 100% implementation rate
	Hardware and software	20	Applications for Eco Symbol Star certification	—
		21	Promotion of proposals with eco-related appeal	—
Environmental communication	Transmission of environmental activities information	22	Number of publicity campaigns/activities	—
	Promoting contribution to local communities	23	Number of local community activities	—
Biodiversity	Ecosystem conservation activities on and around business sites	24	Number of measures implemented to preserve biodiversity	Conduct 10 or more activities per year

Environmental Management

Development of Environmentally Friendly Products

<p>GRI 302-5</p>	<p>Framework for Developing Eco Products</p> <p>NEC is working to reduce the environmental footprint of products over their entire lifecycles, from procurement through to customer use and disposal. In these activities, in addition to our long-standing emphasis on quality, cost, and delivery, we have added an emphasis on compliance and ecology— including resource circulation, global warming prevention, and environmental awareness.</p> <p>Environmentally friendly products, software, and services that meet NEC’s environmental standards are certified and registered at three levels.</p> <p>Eco Products are products that have been confirmed as meeting all of the Eco Product standards—which are basic requirements—in product assessments conducted by each business division during new product development.</p> <p>Eco Symbol products are Eco Products that meet the Eco Symbol standards, which require products to be even more environmentally advanced and environmentally friendly.</p> <p>The Eco Symbol Star is assigned to Eco Symbol products that are regarded as leading environmental products that conform to stringent standards, such as a 50% reduction in CO₂ emissions compared with that of conventional products.</p> <p>Products conforming to the aforementioned standards feature the Eco Symbol Star mark in product catalogs and on websites.</p> <p> Details of Eco Symbol System and Product Assessments</p> <p>List of Eco Symbol Star Products (Hardware)</p> <p>List of Eco Symbol Star Products (Software and Services)</p> <p>Environmentally Friendly Product List (Japanese only)</p> <p>Highlights of NEC’s Environmental Activities</p> <p>Addressing the Risks of Chemical Substances Contained in Products</p> <p>NEC established the Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products (For Suppliers) in response to the global expansion of chemical substance regulations. We have specified banned substances that we do not allow our products to contain, as well as conditionally banned substances that must not exceed maximum defined values, and we require suppliers to comply with our restrictions. Consequently, NEC brand products are, in principle, compliant with the EU RoHS Directive. In fiscal 2023, perfluorocarboxylic acids (C9-C14 PFCAs) and their salts were designated as restricted substances under the EU REACH regulations (Annex XVII), and C9-C14 PFCA-related substances were added to NEC’s conditionally banned substances list. In addition, we revised the Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products (For Suppliers) and issued the 11th edition.</p> <p>We use chemSHERPA-CI⁷ and chemSHERPA-AI,⁸ which are provided by JAMP, for surveys to verify regulated substances contained in procured items, in place of NEC’s in-house survey format. We do so in consideration of supplier response times, which increase when multiple survey formats are involved.</p> <p>The international standard IEC 62474⁹ is being adopted for the chemSHERPA-AI (Compliance Information) Declarable Substance List (DSL). The DSL is updated in a timely manner in line with revisions to laws and regulations, so studies using chemSHERPA-AI can always be used to comply with the latest laws and regulations.</p>	<p>Eco Symbol System</p> <div><div><p>Eco Symbol Star Creation of leading environmental products</p><ul style="list-style-type: none">• Must be leading environmental products• Must meet the Eco Symbol Star standards</div><div><p>Eco Symbol Raising the level of environmental performance of products</p><ul style="list-style-type: none">• Must meet the environmental standards (Eco Products and Eco Symbol standards)• Must be environmentally superior• Must assure transparency</div><div><p>Eco Products Basic environmental requirements</p><ul style="list-style-type: none">• Undergoing product assessment• Must meet the Eco Product standards</div></div>  <p>7. Sheet for entering information on the chemical substances contained in a material or prescription to ensure compliance with laws and regulations</p> <p>8. Sheet for entering information on the chemical substances contained in formulated products to ensure compliance with laws and regulations</p> <p>9. International standards for material declaration issued by the International Electrotechnical Commission (IEC)</p> <p>Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products, Ver. 11 (For Suppliers)</p> <p>JAMP (Joint Article Management Promotion-consortium)</p> <p>International standard IEC 62474</p>
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Environmental Management


Development of Environmentally Friendly Products

Green Procurement

An essential element of risk management in supply chains is product compliance with environmental laws and regulations. These include the EU RoHS Directive prohibiting/regulating the inclusion of specified chemical substances, the EU REACH Regulation requiring the provision of information on the content of specified chemical substances in products, and the EU ErP Directive requiring eco-design requirements for products, and all have varying requirements. NEC positions products that comprehensively comply with these environmental laws and regulations as environmentally friendly products, and has established the NEC Green Procurement Guidelines to promote the green procurement necessary for manufacturing environmentally friendly products. Specifically, items (V-1) to (V-14) in the Guidelines for Responsible Business Conduct in Supply Chains are our Green Procurement Standards, and they define our environmental code of conduct. To comply with regulations that cover chemical substances, we ask our suppliers to properly manage the chemical substances contained in the products they deliver, and to cooperate in surveys for verifying the information on chemical substances contained in the products they deliver.

- (V-1) Creation of an environmental management system
- (V-2) Appropriate management of chemical substances used in the manufacturing process
- (V-3) Appropriate management of chemical substances contained in products (excluding software and services)
- (V-4) Responding to surveys of chemical substances contained in the products supplied to the NEC Group
- (V-5) Implementing product environmental assessments
- (V-6) Climate change measures
- (V-7) Efforts and contributions to global environmental conservation
- (V-8) Public disclosure of environmental information
- (V-9) Resource and energy conservation
- (V-10) Long lifetime
- (V-11) Use of recycled parts and materials
- (V-12) Use of materials that are easy to recycle
- (V-13) Labeling plastic types
- (V-14) Green procurement

 Guidelines for Responsible Business Conduct in Supply Chains (Japanese)

 Guidelines for Responsible Business Conduct in Supply Chains (English)


(V: Environmental Requirements)


Guidelines for Responsible Business Conduct in Supply Chains (Chinese)


 Simplified Chinese

 Traditional Chinese

The proper management of chemical substances contained in products is detailed in the Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products that are part of the NEC Green Procurement Guidelines.

 Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products, Ver. 11 (For Suppliers) (Japanese)

 Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products, Ver. 11 (For Suppliers) (English)

 Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products, Ver. 11 (For Suppliers) (Chinese)

In fiscal 2023, we discontinued the NEC Green Procurement Guidelines (for Suppliers) (Document number: KANKANTU 02-044), which set forth NEC's green procurement guidelines, and replaced it with the Guidelines for Responsible Business Conduct in Supply Chains (Document number: CHOUHI No. 2022-01).

Enhancing Engagement with Suppliers

In fiscal 2023, throughout its supply chains, NEC identified and assessed risks by conducting a survey of sustainable procurement covering about 1,000 of its suppliers.

We increased the number of questions about the environment to 40 by adding a significant number of questions related to CO₂ emissions reduction and the status of biodiversity risk assessments to this survey. The additional questions complemented conventional questions about the status of initiatives to control and reduce environmental impacts, ranging from the establishment and operation of environmental management systems and proper management of chemical substances to water consumption and waste generation.

Our efforts to enhance engagement with suppliers feature initiatives that support collaboration and co-creation specifically linked to climate change countermeasures. These initiatives include adding our five-stage STEP program of activities to reduce CO₂ emissions to the Guidelines for Responsible Business Conduct in Supply Chains that we require suppliers to follow.

In addition, in December 2022 and February 2023 we held briefings on STEP 1 (reduction policy formulation) for roughly 600 suppliers, explaining why initiatives are necessary and how to proceed with policy formulation, and provided examples of initiatives.

We will continue to work with suppliers to reduce environmental risks by working to understand the actual state of environmental issues throughout the entire supply chain and taking corrective action.

Support for Suppliers in Building and Maintaining a Management System

Initiatives to Reduce Environmental Impact

Climate Change

Climate Change Policies

We are ramping up global efforts aimed at achieving carbon neutrality by 2050. NEC has positioned Environmental Action with a Particular Focus on Climate Change (Decarbonization) as one of its priority management themes from an ESG perspective—materiality. As a result, NEC will not only make efforts to reduce the environmental impact of its products and services, but will also support customers and society in their decarbonization efforts by utilizing ICT. In 2017, NEC formulated the Course of Action for Climate Change Toward 2050, declaring its intent to reduce its CO₂ emissions to net zero as a long-term environmental goal. In 2018, its targets were certified by the Science Based Targets initiative (SBTi) as Science Based Targets (SBTs) “well below 2°C,” and later, certified as “SBT 1.5°C” in May 2021 as a result of the Company committing to more stringent targets. In October 2021, we declared our intention to reduce Scope 1, Scope 2 and Scope 3 CO₂ emissions to net zero (including the entire supply chain) by 2050. NEC joined the Business Ambition for 1.5°C campaign at the end of September 2021 and committed to submitting an SBTi net zero target by January 2024.

Furthermore, in September 2022 NEC joined The Climate Pledge (TCP), an initiative that Amazon and Global Optimism launched jointly in 2019. In conjunction with this initiative, we pledged to move up our achievement of carbon neutrality to 2040. We will also contribute toward carbon neutrality for our customers and society as part of our business expansion efforts. We will do this through means including energy-saving ICT infrastructure, solutions that visualize CO₂ emissions, resource aggregation businesses, and environmental consulting.

Mitigation Initiatives

- We are promoting the following initiatives to achieve net zero CO₂ emissions throughout our entire supply chain.
- Reduction of Scope 1 and 2 CO₂ emissions associated with our business activities
 - (1) Reduction of energy consumption with the newest and most advanced energy-saving technologies (includes energy-saving data centers using advanced technologies such as exhaust heat utilization; active use of the latest information technology such as IoT, big data and AI; and the development and application of innovative new technologies)
 - (2) Expanding the use of renewable energy (includes increasing the number of NEC business sites and buildings that use renewable energy; expanding the use of renewable energy at external sites; linking with large-scale power storage systems; and increasing purchases of green power)
 - (3) Use of carbon offsets
 - Reduction of Scope 3 CO₂ emissions in supply chains
 - (4) Category 1: Purchased goods and services (Asking suppliers to reduce emissions, and maintaining and enhancing reduction measures in cooperation with suppliers)
 - (5) Category 11: Use of sold products (Maintaining and enhancing measures to improve energy efficiency)
 - Helping customers and society reduce emissions through our businesses
- The ICT solutions that NEC provides help to reduce total CO₂ emissions in ways such as improving the efficiency of customer operations, facilitating human mobility and the movement and storage of goods, and enabling paperless transactions. By energetically promoting the development of new innovations and solutions, we aim to continuously create new solutions that lead to mitigation and contribute to the realization of a low-carbon society through co-creation with our customers.

Adaptation Initiatives

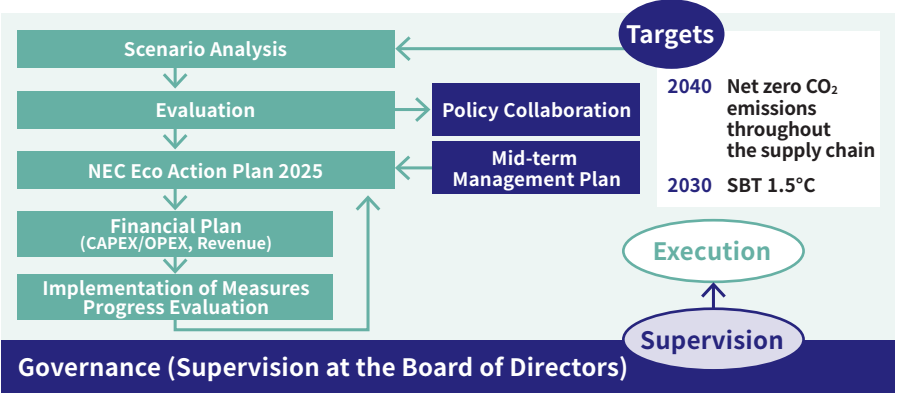
We assess the impact of climate change risks such as water shortages, floods and landslides on global supply chains, and regularly formulate and review business continuity plan (BCP) measures in cooperation with our suppliers. In addition, NEC’s businesses are committed to continuously creating new solutions that support adaptation to the impacts of climate change in ways such as predicting and modeling disasters using AI, IoT and big data, and providing support for disaster preparedness.

What ICT Can Do for Climate Change Adaptation

Climate Transition Plan

NEC has formulated a climate transition plan that combines existing guidelines and initiatives to transition to a business model with carbon neutrality by 2050 in line with the goals of the Paris Agreement. The process involves a PDCA cycle that includes forecasting via scenario analysis, clarification of business risks and opportunities, formulation of a medium- to long-term plan, and implementation and evaluation of measures. In addition, we will report on the progress of these initiatives to the Board of Directors and disclose information in line with TCFD recommendations. We consider policy collaboration to be important to our climate transition plan, so we will collaborate to ensure policies that are consistent with the Paris Agreement.

NEC’s Climate Transition Plan



Climate Change Countermeasure Implementation Process

With regard to climate change, the Environmental Management Promotion Council deliberates on and formulates the NEC Environmental Policy and targets. The council comprises managers responsible for promoting environmental measures in each business unit. The executive officer responsible for environment-related matters confirms the council’s proposals and reports them to the Business Strategy Council, an organization that is further up the organizational hierarchy and the one that provides approval at the corporate level. Risks related to climate change are also shared at the Environmental Management Promotion Council. The executive officer responsible for environment-related matters confirms those risks that could have a significant impact on businesses and, as necessary, reports to the Risk Control & Compliance Committee in accordance with the risk management process.





Climate risks and opportunities that could significantly affect businesses are also reported to the Board of Directors, as necessary. The Board of Directors deliberates on such reports and gives instructions on relevant measures, thereby providing supervision that ensures that NEC advances appropriate climate change countermeasures.

In fiscal 2023, participation in TCP was reported at the Business Strategy Council and the Board of Directors, and management approved the revision of the 2030 targets in conjunction with moving the target for net zero emissions up to 2040 from 2050. The scope of the new target has been expanded to the entire Group through the revision of NEC Eco Action Plan 2025.

In addition, as part of our climate change countermeasures, we are advancing Groupwide measures to reduce our in-house CO₂ emissions by addressing specific aspects of the issue through three special committees: the Eco Product Promotion Sub-group, the Eco Solution Promotion Sub-group, and the NEC Group Energy-saving Discussion Working Group. By reporting and submitting proposals to the Environmental Management Promotion Council, these special committees facilitate the Groupwide pursuit of energy-saving initiatives. To ensure all employees are fully informed of matters determined by the council, the council’s directives and reports are issued through the committees of each business unit and business site.

Initiatives to Reduce Environmental Impact

Climate Change

Participation in Initiatives Related to Climate Change			
SBT 1.5°C	Recertified in May 2021	<div><div>SCIENCE BASED TARGETS</div><div>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</div></div>	Scope 1 and 2: 55% reduction (compared with fiscal 2018) by 2030 Scope 3: Reduce Category 1 (purchased goods and services), reduce Category 3 (fuel- and energy-related activities not included in Scope 1 or Scope 2), and reduce Category 11 (use of sold products) by 33% (compared with fiscal 2018) by 2030. Scope 3 coverage: 35% of Category 1, 100% of Category 3 and 100% of Category 11
RE100	Joined in May 2021	<div><div>RE100</div><div>CLIMATE GROUP</div></div> <div></div>	Switch to renewable energy for 100% of the electricity consumed at locations inside and outside Japan by 2050
BA1.5°C	Became a signatory in September 2021	<div><div>BUSINESS AMBITION FOR</div><div>1.5°C</div><div></div></div>	Net zero greenhouse gas emissions from the entire supply chain by 2050
THE CLIMATE PLEDGE	Became a signatory in September 2022	<div><div>THE CLIMATE PLEDGE</div></div>	Net zero greenhouse gas emissions from the entire supply chain by 2040

Progress toward SBT 1.5°C

	Fiscal 2023 emissions	Compared with 2017
Scope 1 and 2	258,000 tons	45% reduction
Scope 3 ¹	4.396 million tons	15% reduction

1. Reduction measures
Scope 1 and 2: Conversion to LED lighting, renewal of power equipment, optimization of air conditioning operation time and promotion of renewable energy use
Scope 3 Category 1: Requesting suppliers to reduce emissions, sharing of energy conservation improvement status, fact-finding surveys
Scope 3 Category 11: Improving energy efficiency through assessment during product development

Initiatives to Reduce Environmental Impact

Climate Change

Disclosure in Line with the TCFD

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In 2018, NEC announced its endorsement of the TCFD.³ Pursuant to the TCFD's recommendations, we disclose climate-related risks and opportunities while projecting and managing their financial effect on our businesses going forward.

2. Task Force on Climate-related Financial Disclosures

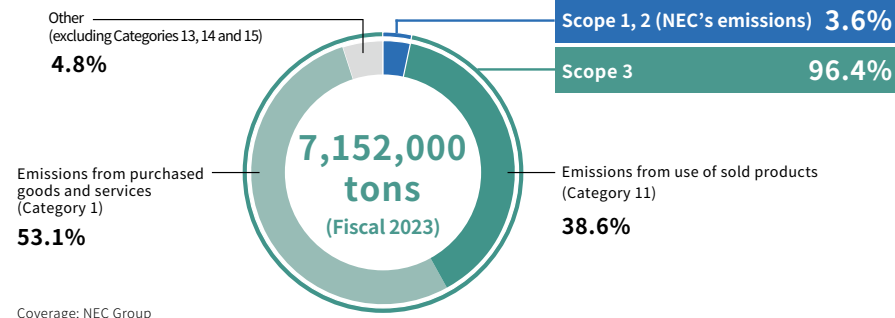
Outline of Initiatives Based on TCFD Recommendations

Item	Description	Related pages
Governance	<ul style="list-style-type: none"> Report to the Board of Directors important issues related to the environment, including climate change Based on environmental management rules, clarify roles, responsibilities, and authority of organizations related to promoting environmental management 	Environment-oriented Management Implementation Framework Reports and Deliberations by Main Committees
Strategy	<ul style="list-style-type: none"> Set key material issues for management of climate change Examine countermeasures and identify risks and opportunities over the short, medium, and long term related to climate change, based on multiple scenarios Mitigation (decarbonization) leads to business opportunities/Develop appropriate solutions and expand provision Implement measures toward decarbonization, manage outcomes 	Climate Transition Plan Products and Services That Help to Mitigate Climate Change Scenario Analysis Risks and Opportunities Presented by Scenario Analysis Introduction of Internal Carbon Pricing
Risk management	<ul style="list-style-type: none"> Assess risks under Environment-oriented Management Implementation Framework and with the Risk Control & Compliance Committee Advance activities to address potential and materialized risks, understand results and issues, and examine plans to reduce and prevent risks 	Climate Transition Plan Environment-oriented Management Implementation Framework Environmental Risk Countermeasures Risks and Opportunities Presented by Scenario Analysis Risk Management Compliance
Indicators and results	<p>2040 targets</p> <ul style="list-style-type: none"> Net zero CO₂ emissions (Scope 1, 2 and 3) 100% renewable energy <p>2030 targets</p> <ul style="list-style-type: none"> Setting of SBT 1.5°C Scope 1 and 2: 55% reduction (compared with fiscal 2018); Scope 3 (Categories 1, 3, and 11): 33% reduction (compared with fiscal 2018) 	Climate Change Greenhouse Gas Emissions Policies and Targets for the Use of Renewable Energy Progress toward SBT 1.5°C Environmental Data

Reports and Deliberations by Main Committees

Since climate change is an important issue in NEC's materiality, committees attended by managers deliberate, supervise and report on initiatives and risks related to the environment, including climate change. In addition to engaging in dialogue with stakeholders, since fiscal 2022 NEC has been broadening discussions between management and outside experts through its Sustainability Advisory Committee.

Greenhouse Gas Emissions (Scope 1, 2 and 3)



Breakdown of Scope 1, 2, and 3 Greenhouse Gas Emissions

		(10,000t) Emissions
Scope 1		2.1
Scope 2		23.8
Scope 3		689.4
Category 1	Purchased goods and services	379.5
Category 2	Capital goods	17.3
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	5.3
Category 4	Upstream transportation and distribution	8.6
Category 5	Waste generated in operations	0.6
Category 6	Business travel	1.5
Category 7	Employee commuting	0.4
Category 8	Upstream leased assets	0.2
Category 9	Downstream transportation and distribution	0.001
Category 10	Processing of sold products	0.02
Category 11	Use of sold products	275.8
Category 12	End-of-life treatment of sold products	0.03
Category 13	Downstream leased assets	—
Category 14	Franchises	—
Category 15	Investments	—

[Third-party Assurance](#)
[Scope of Environmental Data](#)

Initiatives to Reduce Environmental Impact

Climate Change

Disclosure in Line with the TCFD Recommendations

Scenario Analysis

NEC believes that a company cannot continue to exist and grow without analyzing scenarios for climate change. Among recent global risks, climate change risks are numerous and could have an extremely large impact on not only corporate business activities and earnings but also our lives. No matter what the future has in store for us, based on multiple scenarios we will examine steps that should be taken to realize a safe and secure society while ensuring NEC's survival and growth.

In 2019, we conducted a Companywide scenario analysis, and in two different scenarios we analyzed potential changes in risks and opportunities for NEC.

Since fiscal 2022, we have been conducting scenario analysis for each of our various business fields because the climate change risks and opportunities differ depending on the field. In fiscal 2023, in the domain of "digital government," we used the 1.5°C and 4°C scenarios to evaluate NEC's business opportunities in government digital transformation (DX) in Japan and the transition to a decarbonized society in 2030.

Target Businesses and Themes in Fiscal 2023

We envisioned "climate change x government DX" in 2030 and considered business concept proposals based on NEC's risks and opportunities. Furthermore, we conducted more external interviews so that we can reflect feedback from our stakeholders.

Referenced Published Scenarios

1.5°C scenario	4°C scenario
<ul style="list-style-type: none"> • IPCC AR6 WG1 SSP1-1.9 • IPCC 1.5°C Special Report • IPCC AR5 RCP2.6 • IEA World Energy Outlook 2021 Net Zero Emissions by 2050 Scenario (NZE) • National Institute for Environmental Studies, Japan, Version SSP SSP1: Sustainable, SSP5: Reliance on Fossil Fuels 	<ul style="list-style-type: none"> • IPCC AR6 WG1 SSP5-8.5 • IPCC AR5 RCP8.5 • IEA World Energy Outlook 2021 Stated Policies Scenario (STEPS) • National Institute for Environmental Studies, Japan, Version SSP SSP3: Regional Divisions, SSP4: Disparities

	Summary of 2030 scenarios	Key themes	Opportunities	Risks	2030 NEC business examples
1.5°C	<ul style="list-style-type: none"> • National and local policies and public concerns are focused on well-being and the environment. • Decarbonization policies are a top priority for national and local governments, and the transition to a decarbonized society is under way due to legislation introduced in the 2020s combined with the efforts of companies and local governments. • Areas at the forefront of decarbonization are introducing renewable energy and promoting energy management, with net zero CO₂ emissions in the consumer goods sector. • The penetration rate of the My Number Card is 100%. The number of administrative services that provide incentives and subsidies using this card is increasing, encouraging citizens to change their behavior. 	<ul style="list-style-type: none"> • Renewable energy-based distributed power sources • Increasing use of electric vehicles • Incentives for environmental activities • Visualization of natural capital • Increased awareness of well-being • Disaster preparedness planning using digital twins • Post-disaster support using the My Number Card 	<ul style="list-style-type: none"> • Local governments outsource and privatize some operations • Increase in data centers using renewable energy • Healthcare business expands as health incentives become more significant • Systematization of frameworks for emissions calculation, carbon taxes, emissions trading and carbon footprint • Expanding markets for sensing, visualizing and quantifying ecosystems, environmental conservation, losses and damage • Increased use of image analysis technology in compact cities 	<ul style="list-style-type: none"> • Transformation of conventional business models due to the progress of government DX and the increased standardization and commonality of systems • Intensifying competition with competitors and new entrants 	<p>1.5°C and energy management: Decarbonization support services for local governments that visualize resident initiatives and administrative policy outcomes</p> <p>4°C and disaster preparedness: Pre-disaster (disaster self-sufficiency simulation); during disaster (uninterrupted telecommunication, damage certification issuance support); post-disaster: volunteer support promotion system</p> <p>Both scenarios and healthcare: Data utilization system to improve local branding based on healthcare for visitors and environmental value</p>
4°C	<ul style="list-style-type: none"> • Many regions of Japan are confronted with rapidly declining population and financial difficulties. • National and local governments struggle to provide infrastructure and services for all citizens. • Wide-area collaboration and public-private partnerships gain traction. Climate change mitigation is deprioritized due to limited administrative staff, funding and other resources. • Enhanced crisis management capabilities and continuity of administrative functions are required in anticipation of increasingly frequent, large-scale disasters, and adaptation initiatives are prioritized. • Growing community disparities, stratification and division are affecting all aspects of policy from economics and finance to welfare, education and urban planning, and are becoming social issues. 	<ul style="list-style-type: none"> • Disaster preparedness planning using digital twins • Post-disaster support using the My Number Card • Fossil fuel-based centralized energy systems • Rising prices for energy, food and other commodities • Cars are primarily for household use • Decrease in natural capital 	<ul style="list-style-type: none"> • Increased needs for disaster preparedness and mitigation, and for solutions during and after disasters • Creation of administrative solutions using personal and administrative data • Growing needs for agricultural products that are resilient to climate change • Increase in solutions for introducing renewable energy and promoting local energy production for local consumption • Entry into the personalized medicine and online medical care markets • Coordination of supply chain BCP among industries • Growing security business needs 	<ul style="list-style-type: none"> • Contracting markets and decrease in business opportunities due to fewer customers and system integration • Intensified deregulated competition • Resistance to the use of personal and biometric information 	

Initiatives to Reduce Environmental Impact

Climate Change

Disclosure in Line with the TCFD Recommendations

Risks and Opportunities Presented by Scenario Analysis

Risks	Description	Risk Management and Countermeasures
Transition risk	Risks from carbon pricing • Assuming all of NEC's Scope 1 and Scope 2 emissions (about 164,000 t-CO ₂) upon achievement of new targets in fiscal 2031 toward net zero CO ₂ emissions by 2040 are subject to carbon pricing (130 U.S. dollars/t-CO ₂), costs will increase by 2.8 billion yen (assuming 130 yen/1 U.S. dollar) • Assuming impact from higher costs in upstream and downstream supply chains	Increase use of renewable energy and achieve thorough gains in efficiency to achieve net zero CO ₂ emissions target by 2040 (ongoing efforts in supplier engagement and to improve energy-saving performance of products)
Physical risk	Possible disruption of supply chains due to weather-related disasters (floods, landslides, water shortages, etc.), long-term outages of lifelines such as electricity, gas, and water	Risk assessment of the entire supply chain, BCP measures (installing flood gates and moving power supply equipment) with provisions for weather-related disasters, such as river flooding, and strengthening of power generation in data centers

Opportunities	Description	Creation and expansion of opportunities
Value provided in transition risk countermeasures (mitigation)	Development of low-emission transport infrastructure	Logistics visualization and route optimization driven by AI and IoT; EV/PHV charging cloud
	Support for expanding renewable energy use	Virtual power plants, management of power supply and demand, commercialized resource aggregation (RA) for the supply and demand adjustment market, energy management systems (xEMS), provision of data center services that use renewable energy, etc.
	Support for reducing energy use	Process reforms using DX initiatives (work automation, smart factories, supply and demand optimization), products, and technologies that help data centers save energy (phase change cooling, new refrigerants, etc.)
Value provided in physical risk countermeasures (adaptation)	Preparation for increase in weather-related disasters	• Pre-disaster detection using AI, IoT, image analysis, flood simulation, evacuation support, etc. • Visualization of the amount of future CO ₂ reduction through disaster preparedness and mitigation, and consideration of mechanisms that promote investment in disaster preparedness and mitigation by transforming them into financial products.
	Preparation for increase in forest fires	Forest fire monitoring and quick response systems, disaster monitoring by satellite, etc.
	Preparation for changes in areas suitable for agricultural production	Simulations that forecast effects and changes in agriculture, agriculture-oriented ICT solutions, etc.
	Preparation for the spread of infection	Infectious disease countermeasure solutions, preparation of a logistics information management platform in the event of a global infectious disease, remote work, telemedicine support, education clouds, etc.

Countermeasures for Climate Change Risks and Opportunities

As indicated in the Course of Action for Climate Change Toward 2050, we are promoting the realization of a sustainable society in terms of both mitigation of and adaptation to climate change by building our own sustainable management foundation and collaborating.

Regarding our aim for zero CO₂ emissions from supply chains under the course of action, we are promoting reduced energy consumption by using the newest and most advanced energy-saving technologies and by expanding the introduction of renewable energy.

Bases and Group Companies Using 100% Renewable Energy

Japan	NEC head office, NEC Cloud IaaS Data Center, and NEC Solution Innovators, Ltd. headquarters and Shinkiba Center Building, and Japan Aviation Electronics Industry, Limited (JAE Hirosaki, Ltd. and JAE Yamagata, Ltd.)
International	KMD A/S (Denmark), NEC Corporation of America (United States), and NEC Scandinavia AB (Sweden, Norway and Finland)

Green Data Centers

NEC is energetically promoting the use of renewable energy at its data centers. Electricity for the Kawasaki Data Center and Nagoya Data Center has effectively been 100% from renewable energy sources since April 2023 through Non-fossil Fuel Certificates. The Kanagawa Data Center and Kobe Data Center are also aiming for effectively 100% electricity from renewable energy sources during fiscal 2024.

Introduction of Internal Carbon Pricing

With the aim of improving energy efficiency and promoting the introduction of low-carbon facilities and equipment, we have set internal carbon pricing. This pricing allows us to convert the CO₂ emission reductions that would result from a given capital investment into a monetary value, which we can then use as a reference when making investment decisions. The aforementioned carbon pricing mechanism will drive our decarbonization activities going forward and reduce the risk associated with potential increases in carbon taxes and emissions trading in a carbon-free society of the future.

Initiatives to Reduce Environmental Impact

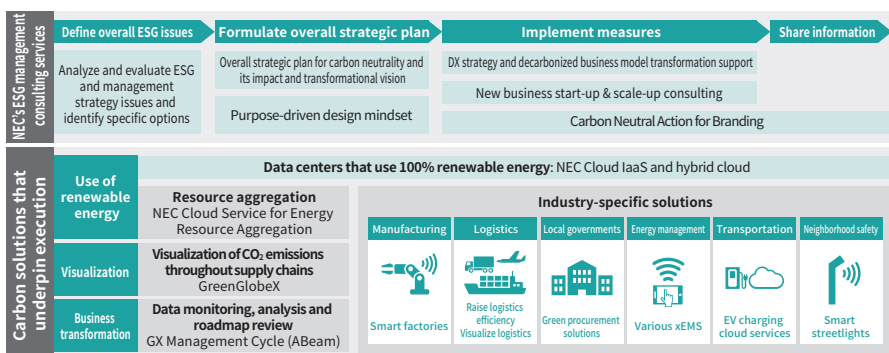
Climate Change

Products and Services That Help to Mitigate Climate Change

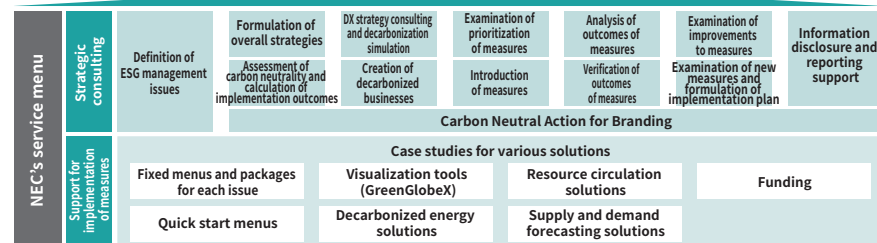
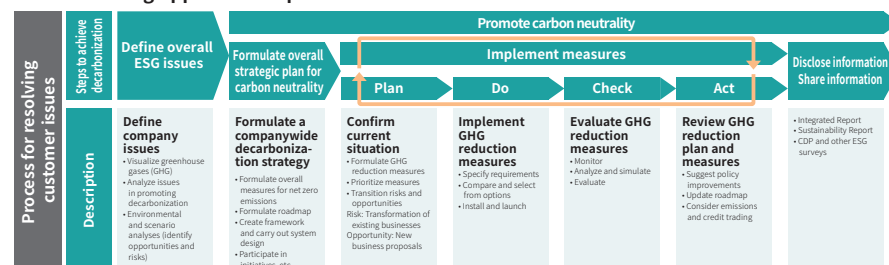
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ESG Strategy Consulting Services for Carbon Neutrality

Leveraging the knowledge we have gained from our own initiatives, we help customers work toward carbon neutrality by providing consulting services for defining overall ESG issues, formulating overall strategies and implementing measures. In addition, we provide solutions that underpin the implementation of these measures, thus providing total support for resolving various customer issues.



ESG Consulting Approach: Steps to Achieve Decarbonization



Examples of NEC Group Environmental Solutions

Category	Solution	Description
Carbon management and CO ₂ visualization	Environmental performance management solution (GreenGlobeX)	Collect, manage and visualize CO ₂ , water, waste and other environmental data
Consulting	ESG consulting services	Consulting for customer carbon neutrality proposals
Energy conservation	Smart streetlights	Reduce environmental impact and magnitude of disasters with smart streetlights
	"Energy-saving decarbonization package" for manufacturers	A comprehensive package combining "LCM x energy-saving diagnostic services," "energy-saving plan services" and "total energy management services"
	Zero carbon facility management services	Optimize total energy management in construction of plants and offices and equipment installation
	ZEB ³ solutions	One-stop support for ZEB, from planning to design, construction and operational management
Renewable energy / Distributed energy	Solar power generation business (Internal use and PPA)	On-site energy services
	Off-site PPA	Off-site energy services
	Solar power generation x Storage battery systems	Systems for decarbonization during normal times and responding to long power outages
	Self-consignment	NEC Cloud Service for Energy Resource Aggregation supports self-consignment by companies and local governments
	Resource aggregation	NEC Cloud Service for Energy Resource Aggregation for integrated control of distributed energy resources
	Microgrid system	System for reliably supplying electricity and responding to regional power outages with distributed power sources
	EV charging cloud services	Cloud-based EV and PHV charging infrastructure services
Information systems	Data centers	Data centers that operate using effectively 100% renewable energy
Adaptation	IoT monitoring system for river water levels	Installation and maintenance of river water level measurement equipment, integrated systems for transmission of data
	Satellite communications system	Provision of integrated systems, from construction to maintenance, including broadcasting systems that use satellites and disaster preparedness systems
Resource circulation	Cellulose-based bioplastics	High-performance biomaterial (NeCycle®) derived from cellulose
	NEC regional resource recycling services	Visualization of recycled resource collection and participation of local residents, services to promote intra-regional recycling of resources and energy

3. Net Zero Energy Building

Initiatives to Reduce Environmental Impact

Climate Change

Products and Services That Help to Mitigate Climate Change

Cloud Service That Supports Self-Consignment

In April 2023, NEC added a new service to the NEC Cloud Service for Energy Resource Aggregation (RA Cloud Service). It supports self-consignment operations that use renewable energy within companies and local governments. Self-consignment is a mechanism that allows companies and governments to transmit electricity generated off-site at their own facilities or bases via the distribution network of an electric power company. Transmitting electricity generated from renewable energy is expected to lower electricity bills and to reduce CO₂ emissions by increasing the ratio of renewable energy used.

This cloud service provides functions necessary for self-consignment, such as power generation forecasts, creation and submission of consignment plans, and imbalance management and imbalance control during self-consignment. In the future, we plan to provide services that support everything from the installation of solar power generation equipment and storage batteries to the operation and maintenance of equipment.

Background of Services Provided

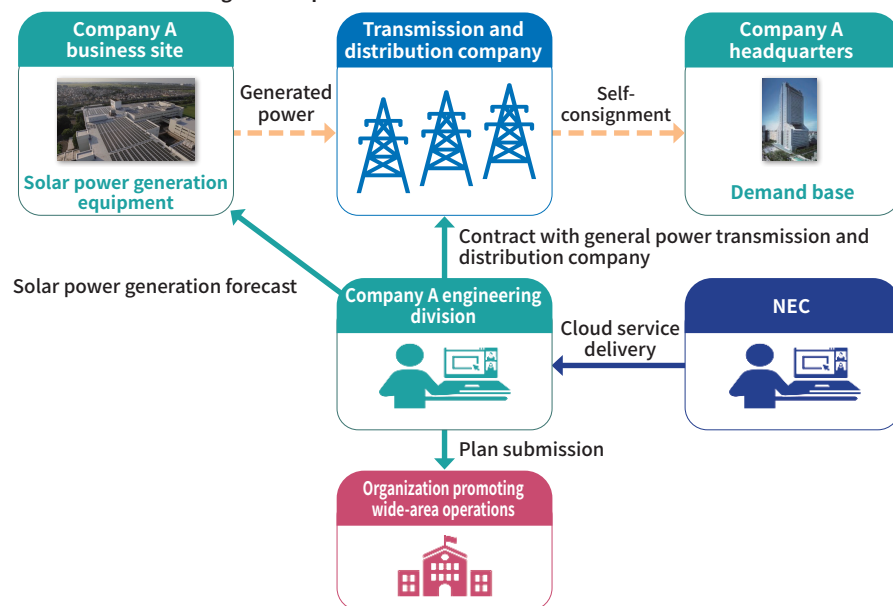
In October 2020, the Japanese government issued its 2050 Carbon Neutrality Declaration. Given the growing use of renewable energy power generation and power storage equipment for decarbonization, the government is calling for companies to increase the ratio of renewable energy they use and for local governments to decarbonize their regions. In these circumstances, attention is becoming focused on initiatives among corporate groups to install solar power generation equipment at sites they own or on premises owned by local governments and then use the generated power internally or self-consign the power to other sites.

At the same time, self-consignment involves a “balancing rule”⁴ that requires daily submissions of planned values for demand and power generation. Operations must be adjusted to accommodate this rule, and penalties (imbalance fees) that occur as a result of deviation between plan and actual results must be borne, among other burdens.

Our services address these situations and issues by reducing imbalance risk and the burden of day-to-day operations and help companies and local governments conduct self-consignment operations smoothly.

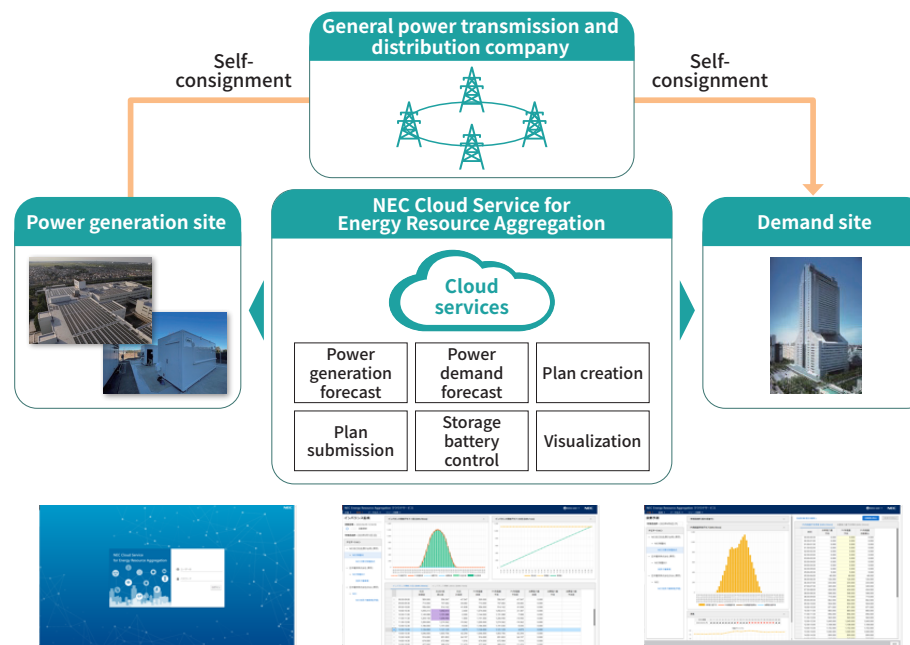
4. Where power consumed over a period of 30 minutes must equal power generated over the same 30-minute period

Overview of Self-Consignment Operations



Overview of Services

1. Cloud services that reduce installation and operation burdens
Services are available via the cloud, so users do not need to build new systems. This enables the start of self-consignment operations on a smaller scale and at lower cost compared with building a new system.
2. AI-based forecasting and control that reduce imbalances
Using the AI NEC has developed through its RA Cloud Service, we forecast demand and power generation taking into account event and weather information that affects electricity demand. In addition, the equipment is controlled in real time considering the characteristics of the location where it is installed, reducing the imbalances that occur during self-consignment.
3. Leveraging of verification data and expertise from NEC's demonstration projects and internal business sites
Since 2016, NEC has been participating in the Ministry of Economy, Trade and Industry's energy resource aggregation demonstration project, and has been researching and developing AI in areas such as control technology and demand forecasting for energy resources. Since 2021, we have installed solar power generation and storage battery equipment at NEC's Abiko Plant, launched the Abiko Demonstration Center, and have been conducting resource aggregation-related verification within NEC. We will leverage the knowledge and expertise obtained from these studies and this verification when we provide services.
4. Total support for equipment installation such as solar power generation and storage batteries, contract support, and equipment operation and maintenance
To complement cloud services that support self-consignment, we plan to add services that provide support for the installation of facilities such as solar power generation and storage batteries, contracts with general power transmission and distribution companies and other entities, and operation and maintenance of facilities.



Initiatives to Reduce Environmental Impact

Climate Change

New Proposals for Achieving a Decarbonized Society

New Approach to Convert Future CO₂ Reductions through Disaster Preparedness and Mitigation into Financial Products

In recent years, natural disasters such as floods and forest fires have become more severe and frequent due to global warming. Natural disasters have a large carbon footprint because of the direct CO₂ emissions from disasters such as forest fires, and the large volume of CO₂ emitted during the reconstruction of infrastructure and buildings and related activities after disasters such as tsunamis and floods. More than 10% of global CO₂ emissions is attributed to damage from natural disasters.

Mitigation initiatives including carbon taxes, which impose taxes based on carbon content, and emissions trading schemes, which trade greenhouse gas emission allowances, are spreading in Europe and other countries. Our approach is unique in that it is based on the future carbon reduction enabled by disaster preparedness and adaptation, as opposed to the conventional approaches, which trade the reduction amount of CO₂ already emitted. This will encourage companies, governments, and municipalities to introduce advanced technologies for disaster preparedness and adaptation, improve and construct new infrastructure and buildings, and make proactive ESG investments to support these efforts.

Under these circumstances, NEC and Keio University are co-creating new environmental value by focusing on the effect of future CO₂ emissions reduction through disaster preparedness.

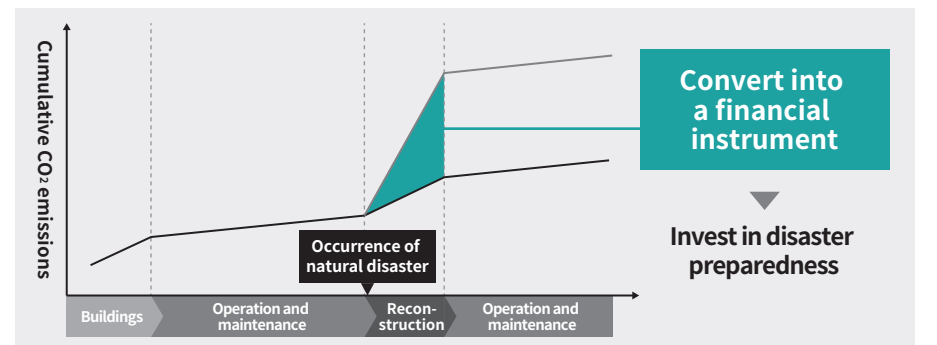
New Value Approach

Natural disasters cause enormous human and economic damage and are therefore a particularly important issue among the factors that climate change impacts. In addition to direct damage, rebuilding infrastructure and buildings damaged by disasters emits new CO₂ that creates a vicious cycle driving more climate change.

A country of major natural disasters, Japan has experience with adaptation measures, particularly due to its extensive experience with disaster preparedness and mitigation. Leveraging this experience will enable us to reinforce adaptation measures in regions around the world. We believe that we can help people minimize the damage caused by disasters, and also help to curb future CO₂ emissions brought on by disasters.

NEC is already implementing innovative initiatives for disaster preparedness and mitigation. These initiatives are increasingly being adopted in society, such as infrastructure monitoring using satellites and AI, and river water level monitoring using IoT. Society as a whole needs to establish an environment that facilitates innovation, but this has been constrained by difficulties procuring funds to prepare for damage that has not yet occurred.

We see a societal need for incentive mechanisms that make funds available to local governments and companies to implement sustainable disaster preparedness and mitigation initiatives. To promote such funding, we have proposed an initiative to visualize and place a value on future reductions in CO₂ emissions. NEC would like to be a leader in making this mechanism function effectively for society.

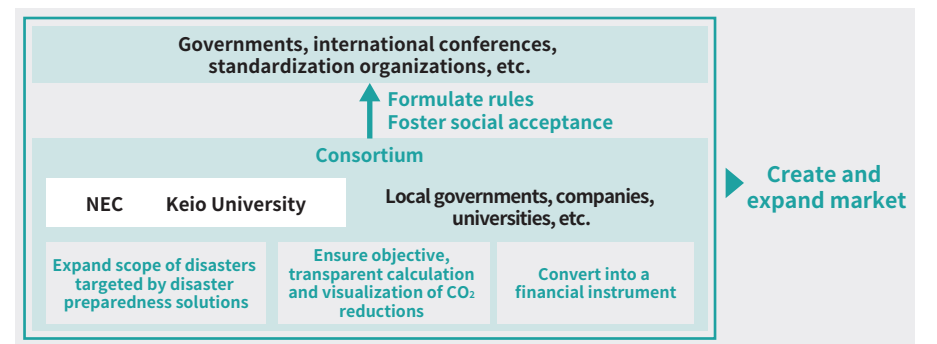


Established a Consortium for Study and Implementation by Three Working Groups

During fiscal 2024, we plan to make this mechanism a reality and accelerate its use in society by launching a consortium (centered on Keio University and NEC) with stakeholders from various industries that will enable joint study and implementation regarding the structure of a system.

Consortium initiatives will include (1) examining target disasters and disaster preparedness solutions; (2) examining methodologies for objectively calculating future CO₂ reductions; and (3) designing financial instruments. We aim to conduct a demonstration experiment in fiscal 2025.

In the future, we would also like to contribute to global climate change countermeasures by disseminating the results of the demonstration in Japan, which is a major player in disaster preparedness, to other countries that are suffering from natural disasters.



Initiatives to Reduce Environmental Impact

Climate Change

Policies and Targets for the Use of Renewable Energy

RE100

In May 2021, NEC joined RE100,⁵ which aims for a significant increase in the use of renewable energy globally. Aiming to use only renewable electricity, we are moving forward with activities based on a policy of installing solar power generation equipment on roofs wherever possible while procuring more green electricity. In fiscal 2023, renewable energy was used to generate 24.9% of the electricity we consumed. We aim to increase this ratio to approximately 50% by fiscal 2031 and to 100% by fiscal 2041.

5. RE100: This initiative is based on a partnership with the CDP and The Climate Group, an international NGO. RE100 consists of companies that aim to derive 100% of the energy they use from renewable energy.

Bases and Companies with 100% Renewable Energy

Japan	NEC head office, NEC Cloud IaaS Data Center, NEC Solution Innovators, Ltd. headquarters, Shinkiba Center Building, and Japan Aviation Electronics Industry, Limited (JAE Hirosaki, Ltd. and JAE Yamagata, Ltd.)
International	KMD A/S (Denmark), NEC Corporation of America (U.S.), and NEC Scandinavia AB (Sweden, Norway, and Finland)

Renewable Energy Results / Plan

Fiscal Year	Renewable energy results / Plan (Solar power)
2020	Abiko Plant: 1.2 MW
	NEC Platforms Thai Co., Ltd.: 1.4 MW
2021	Abiko Plant: 0.3 MW
2022	NEC Platforms Kofu: 1.2 MW
2023	Abiko Plant: 1.8 MW
	NEC Platforms Nasu: 0.3 MW
	NEC Platforms Kakegawa (Buildings D and E): 0.6 MW
2024	Abiko Plant: 0.8 MW
	Sagamihara Plant (Step 1): 0.09 MW (Scheduled to come on line in October 2023)
	Sagamihara Plant (Step 2): 0.1 MW (On line date undecided)
	NEC Platforms Kakegawa (New Building A): 0.2 MW
2025	NEC Platforms Otsuki: 0.6 MW (Planned)
	Tamagawa Plant (in conjunction with plant redevelopment): 1 MW (Planned)
	NEC Platforms Shiroishi Lines 1 and 2: 0.9 MW (Planned)
2026	Fuchu Plant (in conjunction with plant redevelopment) (Planned)
	NEC Platforms Fukushima Building B, C and D: 0.3MW (Planned)

Initiatives to Reduce Environmental Impact

Water Risk Management and Effective Use of Water Resources										
GRI 303-1 303-2 303-3 303-4 303-5	Water is an essential resource for all of humankind. However, there is a concern that growing demands from population growth coupled with climate change will bring a greater risk of worldwide water shortages.									
	Based on our Environmental Policy, we comply with environmental laws and regulations and promote reduction efforts in our water usage and environmental impact. We are also employing water risk management practices, which include addressing the issues of water shortages, water pollution, and flooding.									
	The Environmental Management Promotion Council meets to discuss NEC's water management system during which time it assesses the Company's progress toward reaching its water reduction targets and reports its findings to the executive officer in charge of the environment. When necessary, the results of activities for meeting these targets are reported to the Business Strategy Council and announced to the public.									
	Floods and other risks could harm business if they affect certain facilities. In such cases, the division overseeing the supply chain predicts the impact of these risks and formulates countermeasures. These countermeasures are reported to and discussed by the Business Strategy Council and the Board of Directors when necessary, after which the division implements and supervises their execution.									
	<div><div>Water Resource Risks and Opportunities</div><table><tr><th>Risk / Opportunity</th><th>Description</th><th>Risk reduction measures / Specific opportunities</th></tr><tr><td>Risk</td><td>Droughts and disaster-related water outages may affect business continuity and cause delays or tie-ups in production.</td><td>BCP measures have been implemented at each site to prepare for water outages.</td></tr><tr><td>Opportunity (economic value)</td><td>There is growing market demand for disaster preparedness-related businesses to minimize damage from typhoons and other storms.</td><td>Expanded introduction of river water level prediction and other flood control support systems has begun.</td></tr></table></div>		Risk / Opportunity	Description	Risk reduction measures / Specific opportunities	Risk	Droughts and disaster-related water outages may affect business continuity and cause delays or tie-ups in production.	BCP measures have been implemented at each site to prepare for water outages.	Opportunity (economic value)	There is growing market demand for disaster preparedness-related businesses to minimize damage from typhoons and other storms.
Risk / Opportunity	Description	Risk reduction measures / Specific opportunities								
Risk	Droughts and disaster-related water outages may affect business continuity and cause delays or tie-ups in production.	BCP measures have been implemented at each site to prepare for water outages.								
Opportunity (economic value)	There is growing market demand for disaster preparedness-related businesses to minimize damage from typhoons and other storms.	Expanded introduction of river water level prediction and other flood control support systems has begun.								
<div><div>Surveying Water Resource Risks</div><p>NEC evaluates and confirms how water risks such as water shortages, water pollution, and flooding caused by climate change affect the Group's production sites and supply chain.</p><p>Specifically, the Group identifies the water risks that exist at its production sites in Japan and abroad based on its in-house water risk management questionnaire and the Aqueduct water risk evaluation tool provided by the World Resources Institute (WRI).</p><p>In the first surveying of this process, we utilized Aqueduct to gain an understanding of risks in three categories: physical risks related to water volume, quality and damage from storms and floods; regulatory risks from water-related tax revisions and policies; and reputation risks stemming from ESG-related conduct. This primary screening identified high water-related risk at two of the target sites.</p><p>In the second survey, we took the results from the first survey and compared them with how supervisors perceive water risks at their respective production sites. From that point, we performed a detailed 11-item assessment that includes items based on past experiences where floods, water shortages and other water-related issues and damage made it physically difficult to utilize water; preventive measures used to mitigate these risks; and previous countermeasures implemented when such floods or water shortages occurred.</p><p>In fiscal 2021, after a survey of 26 locations was conducted that focused on production sites, it was determined that the main water risks were inundation due to storm-related overflows of rivers and the resulting water outages. Inundation countermeasures are being implemented at sites that were determined to be prone to such risks. These include hard measures to counteract flooding, such as installing waterproof doors and moving power equipment. We also implement countermeasures against water outages, such as installing water tanks and equipment for converting well water to drinking water, in addition to keeping a stockpile of drinking water.</p></div>										
<div><div>Moreover, at business sites, production sites, and research laboratories, we collect water volume monitoring and sampling data at discharge outlets to quickly identify any change in environmental status. We have also set in-house standards that are stricter than national and local regulations and implement countermeasures to water risks.</div><div>Since water risks in the supply chain include suppliers, we conduct environmental risk surveys on their water usage and wastewater output. This allows us to calculate totals for these figures, better understand our suppliers' situations and take steps to ensure business continuity in the event of wind or water damage, while engaging in activities to correct or improve any problems that arise.</div><div>There were no violations and incidents involving water in connection with the Environmental Act in fiscal 2023.</div><div><div>Measures in a Water-stressed Area</div><p>NEC Platforms Thai Co., Ltd., a production base for NEC products, is located in a water-stressed area in terms of baseline water stress.⁶ Based on the results from the Aqueduct survey, NEC Platforms Thai has installed a water storage tank capable of securing enough water for three days and has also established a system that allows collaboration with the municipal government and the local industrial estate in the event of an emergency. Moreover, during normal times NEC communicates on a regular basis with industrial zone groups and nearby conglomerates, sharing information about matters such as measures to prevent flooding. We prepare for emergencies by maintaining a system of cooperation with these parties.</p><p>6. A state in which the balance between water supply and demand in a region is tight. The indicator score is based on the "maximum volume of water available per capita," and a region is considered to be under water stress if the score falls below 1,700 cubic meters, which is the minimum standard for water required per capita every year to meet domestic, agricultural, industrial, energy and environmental needs. According to Aqueduct, a region is considered to be at very high risk if its water withdrawals are more than 80% of its average annual available supply.</p></div><div><div>Example of Water Usage Reduction Initiatives</div><div><div>Reducing Water Usage by Introducing Steam Condensate Recovery Equipment</div><div>Reducing Water Usage by Introducing a Wastewater Reuse System</div><div>Reducing Water Usage by Introducing Module Chillers</div></div><div><div>Internal Water Pricing System</div><p>NEC calculates values for reductions in CO₂ emissions based on its approach to internal carbon pricing to inform decisions on whether to invest in equipment, and follows a similar methodology for water. When setting prices for water, we take into account future increases in the cost of water and assume the future unit price of water will be 2.5 times higher than it is now. We recalculate the cost impact on this basis when water usage is projected to change by at least five cubic meters per day.</p></div><div><div>Measures to Prevent Water Pollution</div><p>NEC manages its wastewater with stricter standards than national and local governments to ensure their wastewater production does not exceed region-specific legal limits.</p><p>We are also working to reduce the amount of chemical substances used during water treatment to reduce the impact of chemical trade-offs. Specifically, we prevent inputting more chemical substances than necessary by constantly monitoring water quality.</p></div></div></div>										

Initiatives to Reduce Environmental Impact

Resource Circulation and Pollution Prevention

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To help realize a sustainable society, NEC strives for the effective use of limited resources. Based on our Environmental Policy, we are working on consistent resource recycling from production to use and recycling, and reducing environmental impacts such as the amount of waste generated during each process. In particular, hardware products that our customers have used consume a lot of resources, so we carry out initiatives to make effective use of limited resources by collecting and recycling them.

Collection and Recycling of Used Products


Since 1969, NEC has been collecting used IT devices such as computers from corporate customers for reuse and recycling.

In 2001, amendments to the Law for the Promotion of Effective Utilization of Resources mandated the collection and recycling of used personal computers (PCs) discarded by companies. As a certified processor of industrial waste, NEC was a leader among electronics manufacturers in collecting PCs when the amendments went into force.

In fiscal 2023, we collected about 660 tons of computers, PCs, printers, and other IT devices from corporations, a decrease of about 47% compared with the previous fiscal year. The recycling rate⁷ was 98%, about the same as in the previous fiscal year. In addition, the resource-reuse rate⁸ as defined by the Law for the Promotion of Effective Utilization of Resources was 92%, also about the same as in the previous fiscal year. Going forward, we will promote further improvements in resource recycling through the recycling of plastics and other resources.

7. Recycling rate: The ratio of the weight of reused, material-recycled, and thermal-recycled items to the total weight of collected IT devices


8. Resource-reuse rate: The ratio of the weight of materials that can be used as recycled products (parts reuse) or resources (material recycling) to the total weight of collected IT devices (as defined by the Law for the Promotion of Effective Utilization of Resources)

 **Used-IT-Product Collection and Recycling Rates**

State of Collection and Recycling of PCs

In April 2001, amendments to the Law for the Promotion of Effective Utilization of Resources mandated the collection and recycling of used PCs discarded by companies. In October 2003, the law mandated the collection and recycling of used PCs discarded by households.

In fiscal 2023, NEC collected approximately 68,000 used PCs, including desktop PCs, notebook PCs, CRT displays and liquid crystal displays, a decrease of approximately 23% compared with the previous fiscal year. We achieved the effective resource utilization rate prescribed by law (as a target to be achieved by 2003) for all of our products.

 **State of Collection and Recycling of PCs**

Waste with High Environmental Impact

NEC engages in the sale and manufacture of information equipment such as servers, routers, and wireless communications equipment. These products are made using a wide variety of chemical substances, and if these substances are not disposed of properly after use, they could have a major impact on the environment. Therefore, in 2001 NEC became a certified processor of industrial waste, a first for Japan's electronics industry. Since then the Company has been committed to collecting and recycling its products. Moreover, when procuring parts necessary for the manufacture of our products, starting from the product design stage we are mindful of selecting parts that will be easy to recycle and will not cause environmental damage.

Resource Circulation Risks and Opportunities

Risk / Opportunity	Description	Risk reduction measures / Specific opportunities
Risk	Tighter relevant regulations in Japan and abroad require time and resources to appropriately address. A delay in responding may affect NEC's competitiveness and reputation.	Collect information before the enactment of relevant laws and regulations to facilitate an early response.
Opportunity (economic value)	Market expansion of circular economy-related businesses continues to progress, and new markets continue to open up.	Demand is growing for NEC bioplastic products, and for AI tools for food loss countermeasures.

Responding to the Plastic Resource Circulation Act

In June 2021, Japan enacted the Plastic Resource Circulation Act with the aim of further promoting plastic resource recycling to address the issue of marine plastic trash and climate change issues, as well as to strengthen regulations pertaining to waste imports in other countries.

Under this law, businesses that generate industrial waste from products that use plastic (NEC is a large-volume waste generator) are required to promote the reduction and recycling of such waste.

NEC aims to reduce the amount of industrial waste generated from products that use plastic and promote recycling. We have set waste reduction targets and are implementing relevant initiatives.

- Fiscal 2024 target: Reduce waste plastic generated by 1.4% compared with fiscal 2022 (per unit of sales)
- Fiscal 2023 result: 22% reduction per unit of sales (target achieved)
- Fiscal 2023 waste plastic generated: 691 tons

Note: Waste plastic generated and targets exclude special factors (irregular waste plastic generation associated with redevelopment of business sites, etc.).

Responding to the Issue of Marine Plastics

NEC is working to help resolve the issue of marine plastics through its business activities and in-house initiatives. In terms of business activities, we support the development of products that utilize biomaterials as well as microplastic analysis driven by AI. In-house initiatives include reducing plastic bottle usage and eliminating plastic bags at Company shops.

Supporting the Development of Microplastic Analysis Technologies

NeCycle®, a Gorgeous and Highly-Functional Cellulose-based Biomaterial

Initiatives to Reduce Environmental Impact

Resource Circulation and Pollution Prevention

Chemical Substance Initiatives	
<p>NEC carefully examines the environmental impact and safety of chemical substances in all phases of its operations, from introduction and use to disposal. NEC takes all possible measures to reduce consumption and replace harmful substances with safer ones.</p> <p>Preliminary Evaluations of Chemical Substances</p> <p>NEC conducts preliminary evaluations to examine environmental and safety aspects carefully when using a new chemical substance for the first time. These preliminary evaluations are a series of strict examinations of physical properties, toxicity levels, handling methods, emergency response measures, recycling methods, environmental impact and other items related to chemical substances. Only substances that have passed these examinations are authorized for purchase.</p> <p>Safety data sheets (SDS) are obtained from manufacturers or prepared independently for all chemical substances used. We refer to these SDS when considering the safety countermeasures to be applied when using the chemical substances. Manufacturing assessments are also carried out for all manufacturing processes to evaluate environmental and safety aspects of the chemical substances and production facilities.</p> <p>Conformance to the Pollutant Release and Transfer Register (PRTR) System (in accordance with the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)</p> <p>NEC manages the inputs and outputs of chemical substances used by the NEC Group that are subject to the PRTR System and discloses the results. For chemical substances released into the atmosphere and public water bodies (including discharges into sewage systems), NEC manages those substances in accordance with its own voluntary standards, which are more stringent than the levels required by law.</p>	<p>Strict Control of Equipment and Parts Containing PCBs</p> <p>At present, NEC strictly controls disposed-of devices (equipment and parts, including fluorescent light stabilizers) containing polychlorinated biphenyls (PCBs) at its three plants under stringent double and triple measures for preventing leakage.</p> <p>The Law Concerning Special Measures for Promotion of Proper Treatment of PCB Waste was revised in 2016, changing the processing period set in the basic plan for the disposal of PCBs.</p> <p>In compliance with the change, NEC is revising its disposal plans to ensure that the waste is processed within the set deadline.</p> <p>Amount of PCBs held by NEC (as of March 31, 2022) High concentration: 29,409 kg Low concentration: 71,932 kg</p> <p>Scope: NEC Corporation</p> <p>Ozone-depleting Substances</p> <p>The use of all specific chlorofluorocarbons as a cleaning agent in manufacturing processes was discontinued in 1993. By the end of fiscal 2011, efforts to totally discontinue the use of specific chlorofluorocarbons for refrigerant in air conditioners and specific halons used in fire extinguishers resulted in a reduction of 96%, almost completely abolishing their use.</p>

Biodiversity

Biodiversity

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Biodiversity is an important foundation for a sustainable society. At NEC, our environmental policies stipulate that individual employees should increase their environmental awareness and contribute to preserving biodiversity. We strive to minimize the impact of business activities and employees' lives on living organisms, and to actively encourage employee activities that contribute to biodiversity and the provision of ICT solutions.

Biodiversity Risks and Opportunities

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

Biodiversity Activities and Results in Fiscal 2023

Management Item	Target	Results	Evaluation
Biodiversity preservation activities	At least 10 times per year	33 times	Achieved

Biodiversity Conservation Efforts at NEC Abiko Plant

The NEC Abiko Plant has an area of spring-fed ponds on its premises.

Known as Yotsuikie, these ponds are thought to originate from the Tone River. Since 2009, NEC has cooperated with the Teganuma Aquatic Organism Research Association to promote conservation activities in this area, aimed at the protection of the Oomonosashi Tombo (*Copera tokyoensis*) species of dragonfly. Yotsuikie is a habitat for this dragonfly, which is classified as EN (endangered IB Class) by the Ministry of the Environment.

In fiscal 2023, efforts to remove crayfish and other invasive species proved effective, as were efforts to establish an artificial dragonfly pond to serve as a habitat for the Oomonosashi Tombo. You can observe this dragonfly from several locations around the pond.

In addition, we made effective use of the large amount of freshwater mussels discovered upon draining Yotsuikie in 2012, using them to conduct preservation activities for an endangered fish species of IA type (CR) Cyprinid (*Acheilognathus typus*) in the aforementioned artificial pond. By providing a place for the Cyprinids to lay their eggs, the freshwater mussels played an important role in the Cyprinids' survival. Since fiscal 2022, we have released some of the Cyprinids in Yotsuikie and have been observing the effects of the change in habitat.

We also hold an annual Biodiversity Dialogue to go over results and discuss plans going forward with the Teganuma Aquatic Organism Research Organization, experts in the field and the city of Abiko. Spanning more than a decade, our initiatives were recognized in fiscal 2022 with the Select Committee's Special Award 2022 from the Nature Conservation Society of Japan Environmental Conservation Awards. This award is given to companies that make major contributions to the protection of the natural environment and preservation of biodiversity in Japan. In fiscal 2023, together with the Teganuma Aquatic Organism Research Organization, NEC received the Culture Day Environmental Award of Merit from Chiba Prefecture. NEC will continue activities to realize a sustainable society through collaboration with stakeholders.

Participation in Biodiversity Initiatives

SBTs for Nature¹ / TNFD²

In recent years, a variety of initiatives related to nature and biodiversity have been launched around the world amid climate change, and such initiatives are likely to be rolled out further and gain momentum over the next few years. In fiscal 2022, NEC participated in two international initiatives that are expected to have an impact in the business world, as a corporate member at the initial framework consideration stage. By participating in discussions and the prototyping of frameworks at the idea stage, NEC stands at the forefront of global trends, searching for solutions that will help create a society in tune with nature.

Under the frameworks being examined, it will be important for companies to identify and disclose risks related to biodiversity. In August 2022, we participated in the Data Catalyst initiative launched by TNFD, as a member of the TNFD Forum, and participated in discussions on the current status of and issues regarding nature-related data. In addition, based on international standards, NEC has already identified such risks and the potential impact of its own activities on biodiversity, by utilizing tools such as ENCORE, a risk management tool for biodiversity.

1. SBTs for Nature: Corporate participation program

Nature SBTs are science-based targets for companies and local governments to act upon within Earth's limits. They are the nature-related version of SBTs for the 1.5°C climate change scenario. The Science Based Targets Network (SBTN) plans to release its target-setting method step by step from 2023 onwards.

2. TNFD: Taskforce on Nature-related Financial Disclosures, TNFD Forum

TNFD is working to create a framework for disclosing nature-related financial information for the purpose of directing the flow of global capital to activities that preserve and restore nature. The framework is scheduled to be published in 2023.

Flowchart of Dependency on Natural Capital Based on ENCORE

Responding to "30x30" and OECM

Discussions are currently being held around the world about indicators to measure the impact of activities to improve the natural environment and biodiversity. One potential quantitative target is known as "30x30."³ It has also been adopted as a global target by the UN Convention on Biological Diversity. To contribute to achieving this target, NEC is participating as a founding member of the "30 by 30 Alliance" in Japan (led by the Ministry of the Environment). As a company, NEC also aims to help increase the number of natural environmental areas by registering some of its land as an area-based conservation measure (OECM). NEC is working on this initiative in collaboration with other private sector initiatives.

3. "30x30" is the colloquial name for a worldwide initiative agreed upon at the G7 Summit in 2021 and set forth as a target at Biodiversity COP15 in December 2022, calling for 30% of the Earth's land and sea to be conserved through the establishment of protected areas by 2030.

Biodiversity Working Groups

NEC participates in biodiversity preservation activities as a member of a biodiversity working group made up of four organizations⁴ from the electrical and electronics industries. The working group has supported corporate biodiversity initiatives in ways such as publishing *Let's Try Biodiversity! (LTB)—First Corporate Activities in Biodiversity* and *Let's Try Biodiversity Pick Up!—Reducing Plastic Waste in the Ocean Starting on Land*, which summarizes approaches to the marine plastic waste issue.

4. The four organizations are

The Japan Electrical Manufacturers' Association (JEMA),
Japan Electronics and Information Technology Industries Association (JEITA),
Communications and Information Network Association of Japan (CIAJ) and
Japan Business Machine and Information System Industries Association (JBMAI).

Overview of Environmental Impact

Overview of Environmental Impact

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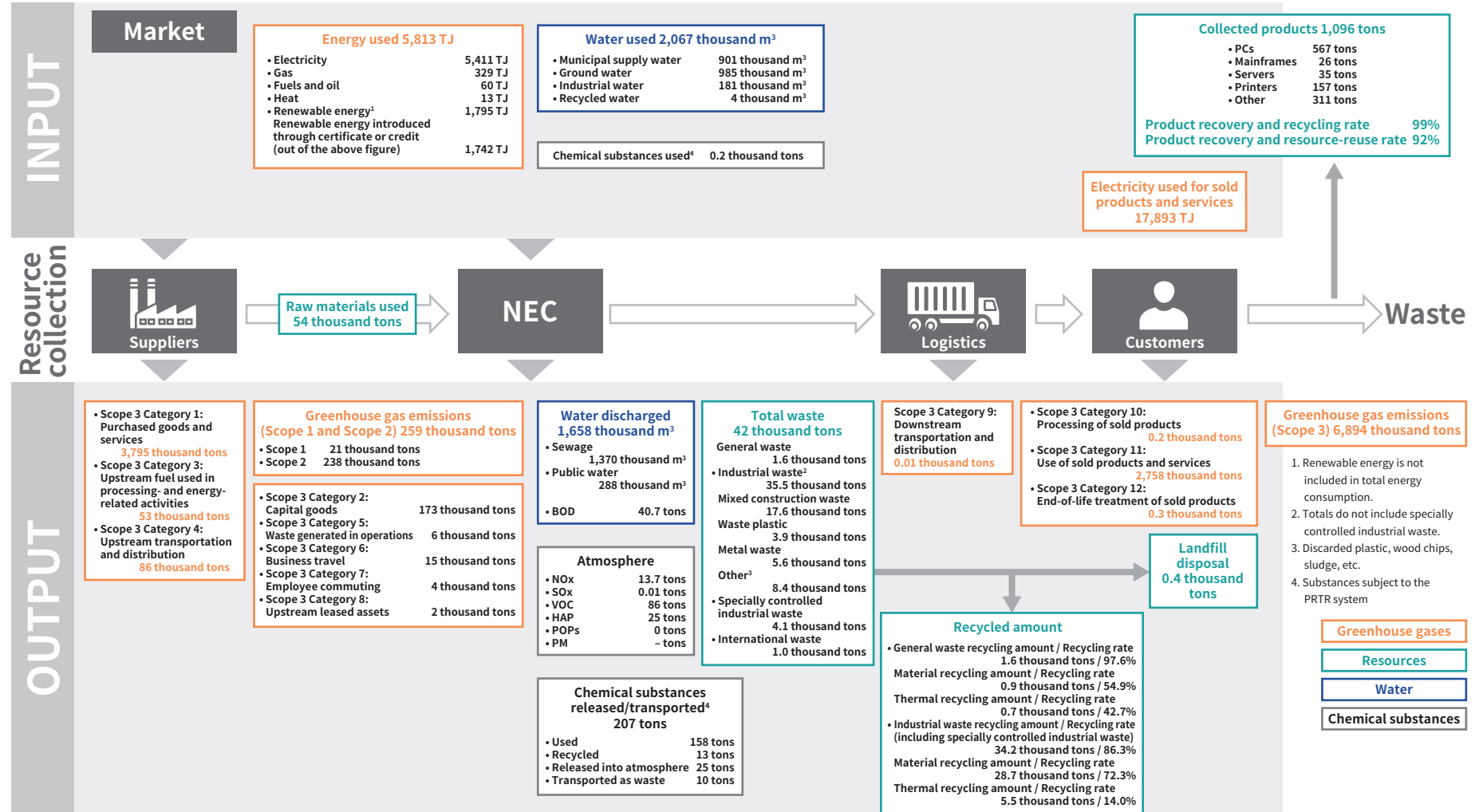
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Overview of Environmental Impact



Environmental Data

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Greenhouse Gas Emissions		FY2020	FY2021	FY2022	FY2023
	Scope 1	☑ 26	☑ 22	☑ 22	☑ 21
	Scope 2	☑ 347	☑ 305	☑ 302	☑ 238
	Scope 3	6,996	☑ 6,158	☑ 6,535	☑ 6,894
Total greenhouse gas emissions (Thousand tons)		☑ 7,483	☑ 6,485	☑ 6,859	☑ 7,152

- Greenhouse gas emissions: Calculated based on Japanese law
- Greenhouse gases include CO₂ (carbon dioxide), CH₄ (methane), N₂O (nitrogen monoxide), HFCs (hydrofluorocarbons), PFCs (perfluorocarbons), SF₆ (sulfur hexafluoride) and NF₃ (nitrogen trifluoride).
- Calculated by scope according to the Greenhouse Gas Protocol Initiative classification, as follows.
Scope 1: Direct emissions of greenhouse gases generated from emission sources owned or controlled by businesses
Scope 2: Indirect emissions of greenhouse gases from the use of electricity, steam, and heat
Scope 3: Except for Scope 1 and Scope 2, other indirect emissions covering the upstream and downstream processes of the Company
- All Scope 3 emissions since 2017 have been revised to reflect changes in Scope 3 Category 1 emission coefficients. For this reason, the total is not the same as the sum of each scope.

Energy used			FY2020	FY2021	FY2022	FY2023
Electricity	TJ		7,140	6,694	6,805	5,411
	MWh		723,001	671,371	682,545	542,732
Fuel (gas)	TJ		396	357	357	329
	MWh		100,945	99,119	99,296	91,339
Fuels (heavy oil and kerosene, etc.)	TJ		87	66	66	60
	MWh		24,234	18,436	18,461	16,608
Heat (steam/hot water/cold water)	TJ		19	20	17	13
	MWh		5,356	5,585	4,818	3,677
Total energy used	TJ		7,642	7,137	7,246	5,813
	MWh		855,536	794,510	805,120	654,356

- Energy used: Calculated based on Japanese law
- TJ: Terajoule

Renewable energy used	FY2020	FY2021	FY2022	FY2023
Amount used (MWh)	55,420	63,381	71,714	180,072

- Renewable energy used is not included in energy used above.

Water used		FY2020	FY2021	FY2022	FY2023
	Public water supply	☑ 1,293	☑ 913	☑ 929	☑ 901
	Ground water	☑ 998	☑ 1,001	☑ 1,014	☑ 985
	Industrial water	☑ 259	☑ 203	☑ 188	☑ 181
	Recycled water	7	4	4	4
Total water used (Thousand m ³)		☑ 2,550	☑ 2,117	☑ 2,131	☑ 2,067

- Recycled water is not included in total water used.

Water discharged		FY2020	FY2021	FY2022	FY2023
	Sewage-related	☑ 1,720	☑ 1,334	☑ 1,309	☑ 1,370
	Public water-related	☑ 364	☑ 349	☑ 334	☑ 288
Total water discharged (Thousand m ³)		☑ 2,084	☑ 1,683	☑ 1,643	☑ 1,658

Waste generated	FY2020	FY2021	FY2022	FY2023
Total waste emissions (Thousand tons)	☑ 38.6	☑ 35.9	☑ 308	☑ 42.2
Recycling (Thousand tons)	36.6	29.1	292	36.7

- Recycling is the amount of recycled general waste, recycled industrial waste (including specially controlled industrial waste), and waste recycled abroad.

Air pollutant emissions	FY2020	FY2021	FY2022	FY2023
NOx emissions (Tons)	13.8	11.5	13.9	13.7
SOx emissions (Tons)	0.01	0.01	0.01	0.01
VOC emissions (Tons)	☑ 68	☑ 82	☑ 80	☑ 86

Chemical substances handled	FY2020	FY2021	FY2022	FY2023
Chemicals subject to PRTR (Thousand tons)	0.3	0.2	0.2	0.2

Scope of Environmental Data

Scope of Data Collection: 79 NEC Group companies (35 in Japan and 44 abroad)

No.	Companies in Japan	No.	Companies in Japan
1	NEC Corporation	19	NEC Facilities, Ltd.
2	ABeam Consulting Ltd.	20	Forward Integration System Service Co., Ltd.
3	OCC Corporation	21	JN System Partners Co., Ltd.
4	NEC Nexsolutions, Ltd.	22	NEC Networks & System Integration Corporation
5	SHIMIZU SYNTEC Corporation	23	NEC Magnus Communications, Ltd.
6	Sunnet Corporation	24	NEC Solution Innovators, Ltd.
7	Bestcom Solutions Inc.	25	NEC Communication Systems, Ltd.
8	YEC Solutions Inc.	26	Infosec Corporation
9	KIS Co., Ltd.	27	NEC Embedded Products, Ltd.
10	NEC Space Technologies, Ltd.	28	NEC Embedded Technology, Ltd.
11	NEC Network and Sensor Systems, Ltd.	29	NEC Fielding, Ltd.
12	NEC Aerospace Systems, Ltd.	30	NEC Platforms, Ltd.
13	Cyber Defense Institute, Inc.	31	NEC Patent Service, Ltd.
14	Japan Aviation Electronics Industry, Limited	32	NEC Friendly Staff, Ltd.
15	JAE Hirasaki, Ltd.	33	NEC Management Partner, Ltd.
16	JAE Yamagata, Ltd.	34	NEC Livex, Ltd.
17	JAE Fuji, Ltd.	35	Institute for International Socio-Economic Studies
18	JAE Shinshu, Ltd.		

No.	Companies Abroad	No.	Companies Abroad
1	NEC Corporation of America	25	NEC Corporation India Private limited
2	NEC Canada, Inc.	26	NEC Philippines, Inc.
3	NEC Laboratories America, Inc.	27	NEC Vietnam Company Limited
4	NEC Latin America S.A.	28	PT. NEC Indonesia
5	NEC Argentina S.A.	29	NEC Australia Pty Ltd
6	NEC Chile S.A.	30	NEC New Zealand Limited
7	NEC de Colombia S.A.	31	日電(中国)有限公司 (NEC (China) Co., Ltd.)
8	NEC de México, S.A. de C.V.	32	日電信息系統(中国)有限公司 (NEC Solutions (China) Co., Ltd.)
9	NEC Europe Ltd.	33	NEC Hong Kong Limited
10	NEC Deutschland GmbH	34	NEC Taiwan Ltd.
11	NEC Eastern Europe Kft.		日電卓越軟件科技(北京)有限公司 (NEC Advanced Software Technology (Beijing) Co., Ltd.)
12	NEC France S.A.S.	35	
13	NEC Iberica S.L.	36	NEC軟件(濟南)有限公司 (NEC Soft (Jinan) Co., Ltd.)
14	NEC Italia S.p.A.	37	Netcracker Technology Corporation
15	NEC Laboratories Europe GmbH	38	KMD A/S
16	NEC Portugal-Telecomunicações e Sistemas, S. A.	39	日電平台科技(蘇州)有限公司 (NEC Platform Technologies (Suzhou) Co., Ltd.)
17	NEC Scandinavia AB	40	NEC Platforms Thai Co., Ltd.
18	NEC Telecommunication & Information Technology Ltd.	41	台灣航空電子股份有限公司 (JAE Taiwan, Ltd.)
19	NEC (UK) Ltd.	42	JAE Philippines, Inc.
20	NEC XON Holdings (Proprietary) Limited	43	航空電子(無錫)有限公司 (JAE Wuxi Co., Ltd.)
21	NEC Saudi Arabia, Ltd.	44	航空電子(吳江)有限公司 (JAE Wujiang Co., Ltd.)
22	NEC Asia Pacific Pte. Ltd.		
23	NEC Corporation of Malaysia Sdn. Bhd.		
24	NEC Corporation (Thailand) Ltd.		

Inclusion and Diversity

Inclusion and Diversity Policy

The NEC Group Code of Conduct strictly prohibits people at NEC from acting with prejudice on the grounds of race, belief, age, social position, family origin, nationality, ethnicity, religion, gender, sexual orientation, and gender identity, as well as physical or mental disability, and strictly prohibits actions that belittle individuals, including bullying, harassment, child labour, and forced labour. Furthermore, the NEC Group Human Rights Policy sets out and advocates detailed policies for our initiatives on human rights based on the NEC Way and explicitly states that in all types of corporate activities we must respect the individuality of each person and not act in any way that may harm their dignity.

It is one of NEC's management strategies to firmly establish a culture that is truly based on inclusion and diversity (I&D) in this way. We believe this is a source of innovation, and we are promoting initiatives on the following points.



NEC Group Code of Conduct



NEC Group Human Rights Policy

Materiality (Priority Management Themes from an ESG Perspective)

Human Resource Development

Respecting Human Rights

• Set out diverse human resources as one of NEC's priority management themes from an ESG perspective— materiality— and develop employees who lead teams that are able to understand and accept different values and cultures and thrash out various ideas to create social value and drive innovation

• Understand unconscious bias correctly and provide equal employment and career opportunities through management, regardless of age, nationality, gender, sexual orientation, and gender identity, as well as physical or mental disability



NEC's ultimate goal is to "transform its organizational structure and culture into one that transforms individual differences into strengths, responds with agility to change, and continues to compete strongly and win."

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

M: Major non-financial indicators related to "materiality"

1. M: Ensure diversity among leadership
 - Achieve the targets below by the end of FY2026 (including decisions on transfers that are to take place on April 1, 2026)
 - 20% ratio of women and foreign nationals among officers¹
 - 20% ratio of women in all management positions
 - 30% ratio of women among all employees

2. Recruit and employ people with disabilities
 - Continue to maintain statutory employment rate (including special subsidiary companies)
3. Ensure that opinions can be expressed without fear of discrimination regardless of gender, age, career path, or job title
 1. Directors, corporate officers, Corporate SEVPs, Corporate EVPs and Corporate SVPs, as of April 1, 2023

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. M: Ensure diversity among leadership
 - Achieve the targets below by the end of FY2023 (including decisions on transfers that are to take place on April 1, 2023)
 - Set goals for ratio of women as part of the succession plan for division general manager positions and higher
 - Identify female human resources who are keen to take action
 - Offer diverse career paths

Progress, Achievements and Issues

1. M: Ensure diversity among leadership
 - Promoted women's empowerment and success
 - 14.8% ratio of women and foreign nationals among directors and corporate officers (as of July 1, 2023)
 - 8.9% ratio of women in all management positions (as of April 1, 2023)
 - 21.1% ratio of women among all employees (as of March 31, 2023)
 - The goals set in the succession plan for division general manager and above have been achieved for about half of the positions

- Held meetings of the I&D Steering Committee chaired by the CEO of NEC twice during the year. Discussed topics related to female employees, made decisions on priority measures, and decided to hire new college graduates and to focus on increasing the ratio of female mid-career hires in FY2024
- Selected approximately 100 elite personnel as management candidates with an eye on diversity ratios at each level of the organization, and continued on-the-job training
- Held sponsorship program run by directors for the top female senior managers, with over half of the cohort being promoted in April 2023 (initial target: promotion of 60% by April 2024)

FY2024 Goals

1. Ensure diversity among leadership
 - Set goals for ratio of women as part of the succession plan for division general manager positions and higher as a 10% increase from the current ratio
 - Set goals for ratio of women newly appointed as managers for roles of executive manager or higher
 - Continue and expand the sponsorship management program horizontally to strengthen the pipeline further
 - Increase the ratio of female mid-career hires

Inclusion and Diversity

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

2. Recruit and employ people with disabilities
 - Enhance external promotions for inclusion of people with disabilities, including special subsidiaries
 - Establish system for hiring people who have psychological or developmental disabilities and welcoming them to the workplace, as well as providing retention support
 - Improve information accessibility at online events for people with disabilities
3. Ensure that opinions can be expressed without fear of discrimination regardless of gender, age, career path, or job title
 - Spread factual knowledge and information to employees through webinars held throughout the year on I&D topics
 - Implement unconscious bias training

Progress, Achievements and Issues

2. Recruit and employ people with disabilities
 - Did not achieve hiring of people with psychological or developmental disabilities; however, conducted recruitment process using an expert consultant and will accumulate knowledge toward accepting such people in future
 - Renewed website of special purpose subsidiary, established a relationship with support center for students with disabilities at major universities in the Tokyo area and strengthened promotion through measures such as providing internships for students with disabilities
 - At NEC Visionary Week 2022, provided sign language interpretation and subtitles for main sessions, established a dedicated channel for customers with hearing difficulties, and implemented measures to have employees with hearing difficulties provide an overview of the seminar and key points using sign language
3. Ensure that opinions can be expressed without fear of discrimination regardless of gender, age, career path, or job title
 - Around 18,000 NEC Group employees around the world participated in NEC Inclusion & Diversity Day 2023, an internal online event held on International Women's Day
 - Held the internal online seminar "Dive into Inclusion & Diversity" five times during the year to update knowledge around inclusion and diversity, with approximately 3,600 employees attending in total
 - Employee Resource Groups for female, LGBTQ ally, and foreign national employees held self-organized internal events
 - Held unconscious bias training by external experts for director- and senior director-level management. In FY2023, approximately 800 people attended

FY2024 Goals

2. Recruit and employ people with disabilities
 - NEC's employment rate for people with disabilities is 2.40% (as of June 1, 2023), which is higher than the statutory employment rate; however, the Company will promote further increases in the employment rate to cope with increases in the statutory employment rate in the future. NEC will increase the rate for Group companies that do not meet the statutory employment rate by holding conferences for those responsible for the hiring and management of people with disabilities and sharing knowledge.
 - Continuously promote new businesses and job development at the special purpose subsidiary using the Company's own technologies
 - Develop promotions that merge branding, such as recruitment activities and promoting para-sports, and connect to acquisition of high quality talent
3. Ensure that opinions can be expressed without fear of discrimination regardless of gender, age, career path, or job title
 - Spread factual knowledge and information to employees through training, events, and so forth held throughout the year on I&D topics
 - One NEC Survey Diversity Score: Achieve 37%
 - Improve workplaces through collaboration with Employee Resource Groups
 - Continue to implement unconscious bias training

Inclusion & Diversity Framework

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

To ramp up these efforts one step further, in fiscal 2022 NEC established the I&D Steering Committee chaired by the CEO, and the I&D Acceleration Team as Companywide entities. Under the strong leadership of senior management, managers, and other personnel in charge gather to hold theme-based discussions where participants propose ideas to promote I&D, and then decide upon and implement specific actions.

The committee posts the contents of its meetings via the company intranet and discloses decision-making processes of senior management internally.

NEC recruits locally for top positions in overseas subsidiaries.

NEC Europe Ltd. and NEC in the UK

NEC Corporation of Malaysia

The top performing local hires are appointed as corporate SVPs, to create a structure that reflects local voices.

Management

Inclusion and Diversity

Employee Composition

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Consolidated number of employees		FY2020	FY2021	FY2022	FY2023
Consolidated number of employees by region (ratio)	Total	112,638 (100%)	114,714 (100%)	117,418 (100%)	118,527 (100%)
	Japan	76,180 (67.6%)	75,923 (66.2%)	76,773 (65.4%)	77,424 (65.3%)
	Asia Pacific	14,114 (12.5%)	13,904 (12.1%)	16,389 (14.0%)	17,825 (15.0%)
	China/East Asia	4,782 (4.2%)	4,706 (4.1%)	4,951 (4.2%)	4,936 (4.2%)
	EMEA	10,505 (9.3%)	12,415 (10.8%)	12,940 (11.0%)	12,365 (10.4%)
	North America	2,734 (2.4%)	2,348 (2.0%)	2,389 (2.0%)	2,344 (2.0%)
	Latin America	4,323 (3.8%)	5,418 (4.7%)	3,976 (3.4%)	3,633 (3.1%)

Employees by employment type		FY2020	FY2021	FY2022	FY2023
Non-consolidated	Regular	20,125	20,589 ²	21,350 ²	22,036 ²
	Temporary	46	45	49	44
Consolidated	Regular	112,638	114,714	117,418	118,527
	Temporary	8,703	7,350	7,038	6,408

By gender		FY2020	FY2021	FY2022	FY2023
Employees by gender (ratio) (Excluding temporary employees)	Total	20,125	20,589 ²	21,350 ²	22,036 ²
	Male	16,381	16,551	17,018	17,391
	Female	3,744 (18.6%)	4,038 (19.6%)	4,332 (20.3%)	4,645 (21.1%)
Consolidated employees by gender (ratio) (Excluding temporary employees)	Total	112,638	114,704	117,418	118,527
	Male	84,533	84,592	85,880	86,117
	Female	28,105 (25.0%)	30,112 (26.3%)	31,538 (26.9%)	32,410 (27.3%)

2. Corporate officers have not been included in the number of employees.

Number of managers ³		2020	2021	2022	2023
Non-consolidated (ratio) (As of April 1 of each fiscal year)	Total	8,521	8,771	9,025	9,162
	Male	7,996	8,169	8,317	8,345
	Female	525 (6.2%)	602 (6.9%)	708 (7.8%)	817 (8.9%)
Consolidated (ratio) ⁴ (As of March 31 of each fiscal year)	Female	2,105 (7.8%)	2,435 (9.2%)	2,535 (9.6%)	2,805 (10.3%)

3. Excludes corporate officers, temporary employees and advisors; does not include those seconded from other companies to NEC and includes those seconded from NEC to other companies.

Some of the non-consolidated data for 2022 and earlier has been restated due to changes in the scope of data aggregation for previous reporting years. Figures for non-consolidated female managers for 2023 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

4. Japan Aviation Electronics Industry Group companies are excluded.

Figures for 2023 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

Employees by age group		2020	2021	2022	2023
By age group	Total	20,125	20,589 ²	21,350 ²	22,036 ²
	Between 0-18	0	0	0	0
	Between 18-30	2,202	2,527	2,780	3,065
	Between 30-50	9,847	9,473	9,592	9,757
	Above 50	8,076	8,589	8,978	9,214

Average age of employees		2020	2021	2022	2023
Total		43.7	43.7	43.6	43.5
	Male	44.2	44.2	44.3	44.2
	Female	41.8	41.5	41.4	41.2

Note: Figures for 2023 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

Inclusion and Diversity

Promoting Women's Active Participation in the Workplace

Measures for Promoting Women's Active Participation in the Workplace

As a global company, we believe it is preferable to have more female employees participating in management decision-making and leadership positions. Accordingly, we have set three targets and are conducting initiatives to achieve them. (Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues)

All items subject to measures are presented below.

 **Database of companies promoting women's active participation in the workplace**
(Ministry of Health, Labour, and Welfare website) (Japanese only)

Joining the 30% Club Japan

NEC joined the 30% Club Japan in 2020 with the goal of improving the gender balance among our corporate officers. As a member of the club, we will tackle a range of measures to improve the gender balance among our corporate officers.

Talent Management Program for Female Employees

We have developed and implemented a systematic, position-based development program for our human resources, with the aims of encouraging their further contribution as leaders who epitomize our Code of Values and producing corporate officers in-house.

- Making a conscious effort to ensure a strong percentage of promising female employees are selected for participation in our human resource development programs at every level and encouraging their development
- Providing our human resources at the assistant manager level with leadership development programs and forums
- Conducting mentoring by directors, employee shadowing, and roundtable discussions under sponsorship program for senior female leaders
- Holding roundtable discussions with officers and the CHRO regarding promising human resources

Events, Training, and Promotion Activities Inside and Outside NEC**In-house online event for International Women's Day**

On March 8, 2023, the Company held NEC Inclusion & Diversity Day 2023 to coincide with International Women's Day. The in-house event, which was held online and themed on inclusion and diversity, expressed our goal to be a company that supports and appreciates the active participation of female employees as well as one that will continue to spark innovation through the active participation of a diverse group of human resources.

Unconscious bias training

We are currently holding unconscious bias training by external experts for all directors and senior directors. In fiscal 2023, approximately 800 people attended. In parallel, we held newly appointed people manager training, and provided unconscious bias information through required online training for all employees.

Work-Life Seminar for thinking about employees engaged in childcare and their supervisors

In fiscal 2023, as approaches to childcare leave diversify, the seminar was held for employees engaged in childcare and their supervisors, as well as employees approaching these life events who feel uncertain about how to balance work and family. 270 people participated in an online seminar, more than double the number from the previous fiscal year, including participants from Group companies.

Career development for women in sales

In fiscal 2023, 115 junior female sales personnel from different industries, including 30 from NEC, participated in an online networking event that has been held by four companies, including NEC.

Activities to promote diversity led by female employees

We held dialogue events and study sessions for female employees through Scarlet Elegance in NEC (SELENE), an association of volunteer women in management positions at NEC.

Involvement of senior management

In July 2022, CEO Takayuki Morita, two senior-level female leaders, and 52 Group employees participated in the International Conference for Women in Business, held online.

Efforts to Promote the Use of Childcare Leave Among Male Employees

- Working to encourage male employees to take advantage of childcare leave by conducting interviews with both employees who have taken leave and their supervisors and then sharing their experiences within the Company
- Published childcare leave guidelines for male employees in October 2022, followed by guidelines for supervisors and for female employees in March 2023

Inclusion and Diversity**Securing and Retaining Employees and Labour Practices**

Number of female managers by position	2020	2021	2022	2023
Number of female department heads or higher (Ratio to total personnel in department, heads or higher positions) (As of April 1 of each fiscal year)	156 (4.9%)	157 (5.2%)	177 (5.7%)	218 (6.7%)
Ratio of female managers in first level of management (As of April 1 of each fiscal year)	6.2%	7.7%	9.0%	10.1%

Note: Since the scope of aggregation of past fiscal years has changed, figures for 2022 and prior years have been revised.

Ratio of female managers in revenue generating function	2020	2021	2022	2023
Ratio of female managers in revenue generating function (Ratio of women in all management positions in revenue generating function) (As of April 1 of each fiscal year)	4.7%	5.2%	5.5%	6.4%

Note: Since the scope of aggregation of past fiscal years has changed, figures for 2022 and prior years have been revised.

Ratio of female employees in STEM-related positions	FY2020	FY2021	FY2022	FY2023
Ratio of female employees in STEM-related positions (As of April 1 of each fiscal year)	12.7%	13.1%	13.5%	12.8%

Note: Since the scope of aggregation of past fiscal years has changed, figures for FY2022 and prior years have been revised.

Inclusion and Diversity

Employment of People with Disabilities

Measures for Promoting Employment of People with Disabilities

NEC currently employs 411 people with disabilities, which is the total for NEC Corporation, NEC Friendly Staff, Ltd., and NEC Management Partner, Ltd., as of June 1, 2023. These employees work based on the principle of “each individual employee taking ownership of their career, regardless of any disability, and by working with motivation, living a full life and bringing innovation into the world using their individuality, capabilities, and experience.” As of June 2023, NEC Corporation exceeds the statutory employment rate of 2.3%, but some Group companies have yet to reach this rate. We will promote an increase in the employment rate for the overall Group through the following initiatives.

Employment Liaison Service for People with Disabilities

- Established an employment liaison service for people with disabilities to promote a barrier-free recruitment process
- During the selection process, every attempt is made to ensure applicants can understand information during written exams or interviews through real-time audio transcription, braille exams, or the use of large-print versions. In addition, we make efforts to ascertain each candidate’s disability through cooperation with a specialized agency and then investigate reasonable accommodations.⁵
- Before a prospective employee with a disability joins the Company, they receive special support according to their disability that includes confirming with them to ensure that their assigned workplace and other frequented locations are barrier free.
- Develop promotions that merge branding, such as recruitment activities and promoting para-sports, and connect to acquisition of high-quality talent

5. Measures to improve conditions that are barriers for disabled workers so that they can exercise their abilities effectively

Number of employees with disabilities (ratio) ⁶	2020	2021	2022	2023
NEC Corporation, NEC Friendly Staff, Ltd., NEC Management Partner, Ltd. (As of June 1 of each year)	383 (2.38%)	387 (2.37%)	399 (2.39%)	411 (2.40%)
Consolidated Group in Japan ⁷ (The above three companies and consolidated subsidiaries in Japan ⁸) (As of June 1 of each year)	909 (2.26%)	995 (2.31%)	1,010 (2.31%)	1,061 (2.39%)

6. The calculation is based on the Act for Promotion of Employment of Persons with Disabilities. Figures for 2022 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

7. Some data for NEC Corporation and its domestic consolidated subsidiaries for 2022 and earlier has been restated due to changes in the scope of data aggregation for previous years.

8. Wholly owned subsidiaries in Japan, excluding application to affiliates under the Act for Promotion of Employment of Persons with Disabilities. The number of employees of NEC Corporation and consolidated subsidiaries based in Japan was approx. 59,000 in 2020, approx. 63,000 in 2021 and 2022, and approx. 64,000 in 2023 (As of June 1 for each year).

The NEC Group I&D Promotion Meeting

- Confirms the NEC Group’s progress in employing people with disabilities as well as the nature of related initiatives
- We encourage the exchange of information among those in charge of hiring people with disabilities at each Group company, and promote joint projects such as seminars and tours.

Signatory to The Valuable 500

NEC has agreed with and become a signatory to The Valuable 500 initiative for promoting active participation of people with disabilities in the workplace, which was launched at the World Economic Forum Annual Meeting in Davos in January 2019. In addition to continuously promoting initiatives to create environments that allow employees with disabilities to demonstrate their full potential, we will also strive to realize safety, security, fairness and efficiency to enable a rich range of social activities by supporting people with disabilities through employment and contributing to society through support for para-sports.

NEC Joins The Valuable 500

Special Subsidiary Company: NEC Friendly Staff, Ltd.

In March 2003, NEC Corporation established NEC Friendly Staff, Ltd., as a special subsidiary company for employing people with disabilities, including people with intellectual or mental disabilities. The subsidiary’s head office is located at the NEC Fuchu Plant, and employees work at offices in Tamachi, Abiko, and Tamagawa. As of June 1, 2023, the company employs 159 people with disabilities.

Hiring of People with Disabilities

Inclusion of Mid-career Hires

Securing and Retaining Employees and Labour Practices (Hiring and Attrition)

Inclusion and Diversity

LGBTQ Initiatives

In creating a workplace environment where every individual can fully express themselves without fear of discrimination, we believe that having a correct understanding of LGBTQ issues and increasing the number of “allies”^{*} are top priorities. Also, to provide LGBTQ employees with equal opportunities to use our systems, since fiscal 2020, we have provided training for management to better understand LGBTQ issues as well as training for employees who work at our primary consultation desk to ensure LGBTQ employees who use the service can do so with a sense of safety and peace of mind.

^{*} Someone who understands the situation of, and strongly supports, LGBTQ individuals

Launch of an Ally Community and the Promotion of Understanding Among Employees

- A visible consultation desk (ALLY) responds directly to inquiries and consultation requests from LGBTQ employees.
- A community of LGBTQ allies was launched by volunteer employees in the NEC Group to start promoting understanding through information dissemination, events, and other initiatives.
- To coincide with PRIDE Month in June, the Group invited LGBTQ people from outside the Company to a Companywide online event with around 1,500 participants, helping to accelerate understanding.

Revision of Internal Regulations

In October 2019, we revised 14 internal regulations, such as adding “a person who is a de facto marriage partner or in a partner relationship” to the definition of “spouse” in order to give de facto marriage partners, including same-sex marriage partners, equal treatment to legally married couples.

Participation in DIVERSITY CAREER FORUM 2022 as a Sponsor

For the sixth consecutive year, we exhibited at DIVERSITY CAREER FORUM. The fiscal 2023 forum was held online, and university students with a high level of interest in diversity issues participated from all over Japan. Through the conference, we provided participating students with an understanding of our I&D initiatives. Also, at an online networking event, our LGBTQ allies and promoters of I&D took the platform as role models and spoke directly with participating students.

Rated “Gold” in PRIDE Index 2022

- Repeating our achievement in fiscal 2021 and fiscal 2022, we received a “Gold” rating—the highest rating—in PRIDE Index 2022, which is formulated by the voluntary organization “work with Pride” and reflects evaluations of initiatives for LGBTQ individuals and other sexual minorities at companies and organizations in Japan.
- We met five out of five of the evaluation criteria with respect to a declaration of conduct, a community of concerned parties, awareness-raising activities, human resource systems and programs, and social contributions and liaison activities.

Toward Fair Recruitment Activities

- We added the following items about LGBTQ issues in interview manuals. Since then, we have been promoting awareness so that recruiters can carry out interviews appropriately. We also abolished the field for stating gender on the entry form.
- Absolutely do not conduct interviews that discriminate or violate human dignity from the perspective of human rights
 - Even if a person comes out as LGBTQ, for example, during an interview, do not ask questions only concerning LGBTQ issues
 - Judge a candidate only by the person’s capabilities and suitability for the job

Employment of Foreign Nationals

Measures for the Promotion of Global Recruitment of Human Resources

To achieve global business expansion, NEC is working through the following initiatives to recruit non-Japanese individuals in its research, technology, sales, and corporate administration departments.

Human Resource Development

- In addition to accepting international students as new graduate hires, NEC also conducts recruiting activities targeting researchers at overseas universities, such as the Indian Institute of Technology. (Number of new non-Japanese graduate hires in fiscal 2023: 4)
- We work proactively to recruit employees of international subsidiaries for employment at the NEC head office, to facilitate interactions with these personnel and to develop human resources.
- This system enables international students, Japanese students enrolled in universities abroad, and other students studying abroad to join the Company in October instead of April, when new employees usually join Japanese companies.
- A prayer room has been established in the head office building for employees who need to make religious observances.

	FY2020	FY2021	FY2022	FY2023
Number of employees with non-Japanese citizenship	290	251	239	239

Supporting Diverse Workstyles for Seniors

Extended Employment

- NEC has introduced a post-retirement re-employment system for employees who wish to work beyond the age of 60.
- Since fiscal 2021, NEC has operated a personnel recruiting system and flexible treatment based on the system for those extending their employment that works to match the needs of individuals and hiring organizations, based on the type of work, job description, employment terms, and other conditions.
- Personnel recruiting system and flexible treatment based on the system for those extending their employment

Dispatch and Placement Arrangements to Locations Inside and Outside the Group

- Beginning from fiscal 2022, NEC launched a career consultation and matching service to boost employees’ sense of career ownership through a lifelong career at NEC. This initiative creates opportunities for senior personnel to make long-term contributions to society in ways suited to their lifestyles.

Securing and Retaining Employees and Labour Practices

Policy on Securing and Retaining Employees and Labour Practices

To realize corporate growth and personal growth and happiness in accordance with its HR Policy, NEC develops and fairly evaluates personnel, who drive the growth of its businesses. We also work to create an environment where employees can work with ease and comfort and thereby display a high level of performance.

Aiming to realize fair assessments, NEC has established a system that evaluates employees based on their contributions to businesses, regardless of such attributes as age or gender. We pay appropriate wages and bonuses according to employees' roles and results based on various laws and regulations, labour agreements, and internal regulations. In addition, for regular employees, we have introduced medium- to long-term incentives, including a retirement lump-sum plan, a defined contribution pension, and employee stock ownership plan (introduced for NEC Corporation and a part of the NEC Group). Furthermore, bearing in mind the import of laws pertaining to equal pay for equal work, we have enabled fixed-term contract employees and other non-regular employees to use some of the systems established for regular employees.

At NEC, labour and management are working together to implement flexible workstyles, prevent overwork, and encourage employees to take leave in compliance with the relevant legal systems of each country. In addition to these systems, we are bringing about a rewarding work environment through discussions and by cooperating with the workers union and management on issues covering the personnel system, benefit programs, the realization of work-life balance, and a workstyle by which all employees have the opportunity to reach their full potential. In particular, we have childcare and nursing care systems that exceed statutory minimums and have led other companies in the establishment of a teleworking system, which we introduced as early as 2000. Through these and other initiatives, we are working to create an environment where diverse personnel can play a part.

Human Resource Development

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

- Employer of Choice—Transformation into an employer of choice and increase in job satisfaction
 - Engagement score of 50%¹

1. According to a survey by Kincentric, a global human resources consulting firm. A score of 50% roughly corresponds to the global top 25th percentile, Tier 1 level.

- Establish conditions that provide the optimal place and the optimal time in striving to elicit optimum performance
 - Provide the experience necessary for employees to facilitate their own growth
 - Implement office reforms that foster trust and co-creation
 - Provide a workplace that allows for seamless execution of duties that overcome time and space restrictions
 - Foster a work culture that encourages a diverse range of human resources to provide value

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

- Increase motivation
 - Achieve yearly 5-point increase on Pulse Survey score (Job fulfillment score/Productivity score/Condition score)

- Establish conditions that provide the optimal place and the optimal time in striving to elicit optimum performance
 - Promote self-determination of an ideal workplace and time to support well-being
 - Establish a variety of workspaces that utilize digital mechanisms such as congestion detection and other systems, as well as spaces for interaction with people outside the Company
 - Expand eligibility for remote workers, enabling application of the systems regardless of whether an employee has a compelling reason
 - Promote initiatives to improve productivity and engagement within the organization
 - Assess organizational soundness via data analysis and introduce productivity assessment
 - Expand the number of active users of the "Thanks/Praise" system within the NEC Group (15,000 people)

Progress, Achievements and Issues

- Increase motivation

Scores in Pulse Surveys improved at NEC and its consolidated subsidiaries (March 2022 to February 2023) Job fulfillment score: +1.9 points, productivity score: +0.7 points, condition score: +2.1 points

- Establish conditions that provide the optimal place and the optimal time in striving to elicit optimum performance
 - Reformed offices to build trust and spur co-creation
 - Implemented new teamwork-focused designs to establish offices as Communication-Hubs
 - Created floor layouts and concept guides
 - In addition to the FIELD at Head Office, opened Innovation-Hubs in Osaka, Shin-Kiba, and Tamachi
 - Introduced rules for remote work in November 2021 for employees with a compelling reason. Updated guidelines for remote work as a way of working while at home or places far removed from assigned worksites. Abolished the eligibility restriction of having a compelling reason in July 2022
 - Promote initiatives to improve productivity and engagement within the organization
 - Continued development of two dashboards that visualize workloads of employees in terms of their mental and physical condition, by using data accumulated in data platforms for diagnosing organizational soundness
 - Introduced a Groupwide "Thanks/Praise" system at NEC in November 2021, as a measure for the purpose of fostering a culture where employees mutually commend and build up each other through positive feedback by showing gratitude using stickers. Expanded the system throughout the NEC Group (except for certain Group companies) the following year in April 2022 (100% introduction rate)
 - Active users of "Thanks/Praise" system reach 14,713 people (including the NEC Group)

FY2024 Goals

- Increase engagement score

2023 One NEC Survey engagement score: +5 points year on year

- Establish conditions that provide the optimal place and the optimal time in striving to elicit optimum performance
 - Promote self-determination of an ideal workplace and time to support well-being
 - Accelerate building of Communication-Hubs and roll out Innovation Hub FIELDs to several bases, including Tamagawa and Sapporo
 - Response to further workstyle changes since COVID-19 was recategorized as a Class 5 disease in Japan
 - Promote initiatives to improve productivity and engagement within the organization
 - Expand data types subject to analysis and analysis angles (productivity and effects of work) in health checkups
 - Set evaluation indicators for "Thanks/Praise" and conduct events, etc. to enhance the effectiveness of measures

Securing and Retaining Employees and Labour Practices

System for Securing and Retaining Employees and Labour Practices

<p>GRI 2-30 402-1</p>	<p>The People and Culture Division and business units play a leading role in liaison and coordination between workers and management. Making reference to the various guidelines put forth by the International Labour Organization (ILO) and other bodies, the NEC Group Human Rights Policy acknowledges employees' three primary labour rights—the right to organize, the right to collective bargaining, and the right to collective action. In addition, the labour agreement that NEC has concluded with NEC labour unions guarantees the right of workers to bargain collectively and stipulates that management must consult with workers if any changes are to be made to important labour conditions, such as wages and work hours. To provide a venue for such discussions, a central labour and management council meeting is held biannually.</p> <p>In addition, at NEC Corporation, the labour agreement states that all employees are labour union members, except for certain general employees who conduct management duties or designated operations.</p> <p>NEC's labour union is called the NEC Workers' Union, and is a member of the NEC Group Federation of Workers' Unions, which is a federation of workers unions of certain NEC Group companies (Approx. 44,100 union members as of September 2022).</p>	<p>Furthermore, the NEC Group Federation of Workers' Unions is a member of an umbrella organization, the Japanese Electrical, Electronic and Information Union.</p> <p>Labour-management relationships are stable, and there are no particular issues of note.</p> <p>Contribution to Initiatives Related to Labour Standards NEC is a member of certain working groups set up by the Labour Policy Council, which conducts investigation and deliberation of important matters regarding labour policy in response to inquiries from the Minister of Health, Labour and Welfare and others.</p>
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Employee Evaluations

<p>GRI 404-3</p>	<p>Evaluations That Promote Personal Growth NEC conducts two-way dialogues between managers and their supervisors to serve as the basis for personnel evaluation and development. These one-on-one meetings, which are held between all employees and their supervisors, help align the goals of each employee in their roles with the goals of the Company's business strategy. Presently, about half of NEC employees have these one-on-one meetings at least once a month.</p> <ul style="list-style-type: none"> • To achieve business goals, supervisors provide coaching aimed at business management and help employees with growth and career development. • In fiscal 2019, the Group adopted the Code of Values as a shared standard of conduct. Since then, in one-on-one meetings, supervisors have been providing feedback and coaching that, while focused on results, places increased emphasis on conduct. 	<ul style="list-style-type: none"> • The Company introduced "Feedback from Others," a system for receiving multifaceted, 360-degree feedback. We provide managers with training to increase their managerial capabilities and help them to elicit independence, creativity, motivation, and autonomy from the members of their team and maximize team performance. <p>In cases other than employee preference, where it is necessary for work, workplaces and workstyles may be changed or employees may be transferred or sent on assignment. However, in these cases, the labour agreement stipulates that the labour union must be notified at least seven days in advance.</p>
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Long-Term Incentives for Employees

	<p>Initiatives Aimed at Heightening Motivation with Respect to Career Development NEC Corporation has prepared retirement allowances calculated based on a bonus-linked point system and defined contribution pension plans as retirement benefit and pension programs. We have transitioned away from a defined benefit pension plan, which was premised on long-term employment, to focus on our defined contribution plan, so as not to limit the range of career options open to employees, to ensure that new graduate hires and mid-career hires are treated fairly, and to motivate employees to develop long-term careers in a variety of directions, be it inside or outside the Company.</p>	
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Benefits and Welfare System

	<p>In April 2020, NEC Corporation launched a new "cafeteria-style" benefits and welfare system called "Will be." It allows employees, including contract, temporary, and part-time workers, to select and design their own benefits rather than following a benefits and welfare system prepared by the Company based on an assumed model life plan. Under this benefits and welfare system, employees are granted a certain number of points, and they can select various benefits and welfare services within the scope of their points, according to their needs. There are a wide range of options to meet employees' various needs, such as self-investment for growth, health improvement services, assistance for use of childcare and nursing care services, donations to volunteer groups and disaster-affected areas, purchase of time-saving home appliances, and so forth.</p>	<p>We provide employees who are providing childcare and nursing care with special points that are separate from their basic earned points.</p> <p>In fiscal 2023, we expanded the scope for nursing care points so that they can be used with grandparents or people in the "Needed Support" category under Japanese law. Furthermore, we revised the system so that employees using childcare points or nursing care points can each receive these benefits fairly on an individual basis, rather than allocating them by household as before.</p> <p>As of March 31, 2023, approximately 19,000 people applied for these services online.</p>
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NEC Pension Plan

	<p>In October 2020, NEC switched to a single defined contribution pension plan. In operating the plan, meetings of the NEC Group Defined Contribution Pension Committee are convened by the labour-management councils of the Company to ensure continuous, employee-oriented monitoring over the provision of defined contribution investment products.</p> <p>In fiscal 2023, as part of a revision of defined contribution investment products that had been in progress since the previous fiscal year, the Group excluded defined contribution investment products for the first time since introducing the defined contribution pension plan. When excluding the products, we introduced designated investment products so that members' benefits would not be impaired due to procedural errors, etc. We also provided careful notification and reminders to holders of excluded products, and 70% of those eligible had been able to revise their products autonomously by the cut-off date.</p>	<p>Moreover, in our continuous investment education, we have broadly revised the educational content covering defined contribution pension plans, and revamped the program into a microlearning format that can pinpoint the parts that need to be covered based on individual comprehension. We have also provided an individual consultation desk to provide advice on asset formation and by conducting an employee survey to examine measures for improving financial well-being, we are working to meet the asset formation-related needs of our diversifying workforce.</p>
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Securing and Retaining Employees and Labour Practices

Hiring and Attrition

GRI
401-1

Initiatives to Hire New Graduates

Conducting initiatives to secure diverse human resources through job-matching hiring

- Starting with the new graduate hires who will join the Company in March 2024, we will carry out job-matching hiring. We will present around 60 students with a job description for the division and work type, then have the students sit a test regarding their desired department and work type, guaranteeing an initial placement if they pass.
- Division and work type include technology-type positions and system engineering, as well as specialized positions such as legal affairs, accounting, and human resources and general affairs. Around 70% of the planned hires have been hired through job-matching hiring. For sales and general staff employees, we will continue to carry out bulk screening as before.
- Since fiscal 2021, we have utilized a system that entails hiring new graduates for specific jobs. Rather than paying talented new employees starting salaries based on their academic background, the new system provides remuneration based on the roles that the new employees assume.
- In an effort to acquire and develop top-level R&D talent, we have introduced the Selective Compensation Program for Professional Researchers targeting leading young researchers (including new graduates), with no upper limit on compensation for non-managerial employees.

Inclusion of Mid-career Hires

We hired 596 mid-career hires in fiscal 2023, around the same number as new graduate hires. In light of the increasing number of mid-career hires, we are implementing the following initiatives.

- We have been providing web-based training on interviewing to employees responsible for conducting interviews with prospective mid-career hires.
- Mid-career hires join an online orientation.
- We distribute onboarding manuals to departments to which mid-career hires are assigned.
- We collect employee feedback via our Voice of Employees questionnaire after a fixed period upon joining NEC.

Mid-career hires have diverse approaches and perspectives based on their experience working at other companies outside NEC. These employees serve as the catalyst for cultural transformation by putting forth ideas to improve existing operations in their assigned places of work.

Human Resource Development

Corporate Citizenship Activities

	FY2020	FY2021	FY2022	FY2023
Turnover rate	3.5%	2.5%	2.9%	3.6%

Three-year retention rate of new graduate hires		FY2020	FY2021	FY2022	FY2023
New graduate hire retention ²	Total	89.1%	90.7%	93.6%	94.9%
	Male	88.0%	90.6%	92.7%	93.1%
	Female	91.7%	91.2%	95.5%	98.6%

2. The fiscal 2023 figures are the percentages of the new graduates hired on April 1, 2020, who were still employed by the Company three years later (April 1, 2023). The fiscal 2020 to fiscal 2022 figures have been calculated in a similar manner.

Increase in Mid-career Hiring

To assign personnel to appropriate positions in a timely manner, we have conducted a wide-ranging review of the way we utilize human resources. We are hiring more mid-career personnel, who enable us to implement business strategies immediately. This includes the utilization of external human resources. Thanks to our initiatives in this regard, in fiscal 2023 we hired 596 such personnel, which is roughly a 1:1 ratio with new graduate hires, and is helping speed up job-specific human resource management.

- In fiscal 2023, we hired 69 employees using a referral recruitment system that uses the personal networks of NEC employees.
- In fiscal 2023, we hired 71 employees using a direct sourcing service for directly contacting prospective employees.

Data related to hiring		FY2020	FY2021	FY2022	FY2023	FY2024
Number of new employees	Total	703	1,012	1,196	1,256	
	New graduate hires (Employees who joined the Company on April 1 of each year, including those who joined through year-round recruitment of the previous year)	—	630	577	660	600
	Mid-career hires	—	382	619	596	
Number of new employees by gender (ratio)	Total	703	1,012	1,196	1,256	
	Male	515	721	872	912	
	Female	188 (26.7%)	291 (28.8%)	324 (27.1%)	344 (27.4%)	
Number of new employees who are new graduates with non-Japanese citizenship		17	11	5	4	

Average length of employment (years)		2020	2021	2022	2023
Total		19.2	18.9	18.5	18.1
	Male	19.4	19.2	18.9	18.5
	Female	18.3	17.8	17.3	16.8

Note: The total for 2023 has been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

Securing and Retaining Employees and Labour Practices

Employee Survey

One NEC Survey

To realize NEC's Purpose, we believe highly motivated employees are essential, and we have been conducting initiatives aimed at transforming into an employer of choice. Once a year, we conduct a global survey of all NEC Group employees, aiming to achieve an engagement score of 50%² by fiscal 2026. By achieving this score, we aim to become a highly engaged team corresponding to Tier 1 at the global level. The whole Company is continuing to undertake these initiatives.

3. According to a survey by Kincentric, a global human resources consulting firm. A score of 50% roughly corresponds to the global top 25th percentile, Tier 1 level.

Employee Satisfaction

Employee engagement index	FY2020	FY2021	FY2022	FY2023
NEC Group	20%	25%	35%	36%

Positive response rate to questions regarding the management team in a survey by global human resources consulting firm Kincentric

FY2023

NEC Group	31%
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Response rate of employee survey	FY2020	FY2021	FY2022	FY2023
NEC Corporation and consolidated subsidiaries in Japan	87% ⁴	86% ⁴	88% ⁵	85% ⁶
Consolidated subsidiaries abroad	75% ⁷	80% ⁸	76% ⁹	82% ¹⁰
NEC Group	—	84%	86%	85%

4. Scope: 21 companies 5. Scope: 27 companies 6. Scope: 15 companies 7. Scope: 43 companies
8. Scope: 52 companies 9. Scope: 55 companies 10. Scope: 23 companies

Compensation

GRI
401-2
405-2

Bonuses are paid twice annually, calculated based on the Company's performance and individual evaluations. Moreover, starting salaries for new graduate hires have been increased with the expectation of further participation of young employees and with a view to strengthening the Company's competitiveness in hiring.

Average annual salary (million yen)	FY2020	FY2021	FY2022	FY2023
Total	8.15	8.29	8.14	8.43
Male	—	—	—	8.92
Female	—	—	—	6.61

Starting monthly salary (yen)	Doctoral program graduates	Master's degree graduates	Bachelor's degree graduates
New graduate hires in April 2023	314,500	261,000	237,000

Wage disparity between men and women (male to female ratio)¹¹

FY2023

All workers	73.7%
Of which, regular workers	73.0%
Of which, part-time and limited-term workers	87.2%

Presentation categories have changed from fiscal 2023.

11. The disparity between wages of male and female workers at the Company and at many consolidated subsidiaries is in the 70th percentile. The different numbers of men and women in management positions, which have relatively high wages, is likely to have an impact on the overall disparity. The wage disparity by position for officers of the Company is around the mid 90th percentile, which is considered small.

Please refer to the annual securities report for consolidated figures.

[Annual Securities Report \(Japanese only\)](#)

Wage disparity between men and women (male to female ratio) ¹²	FY2021	FY2022
Management	96.8%	97.8%
Assistant managers	97.9%	99.3%
Other employees (without job titles)	101.6%	100.7%

12. The impacts of factors such as childcare leave and reduced working hours for childcare are excluded from the calculations.

Securing and Retaining Employees and Labour Practices

Healthy Work-life Balance: Support for Those Balancing Work with Family Commitments

Support for Childcare and Nursing Care Support

GRI
401-3

Support for Childcare

NEC Corporation supports employees who are balancing work with childcare with benefits such as childcare leave and reduced working hours, in addition to measures such as the following.

- Management training on supporting those balancing work with family commitments, and practice-based training for employees on childcare leave
- Allocation of additional points to employees with pre-school aged children under the cafeteria-style benefits and welfare system, "Will be"
- Provision of a parent fund (a payment of 550,000 yen to employees who have become new parents) and a lump-sum payment upon the birth of a child

NEC Corporation acquired the "Kurumin" Next-generation Support Certification Mark from Japan's Ministry of Health, Labour and Welfare in 2007, 2012, and 2015 in recognition of the Company's initiatives for childcare. We implemented a series of measures, even including measures that are not incorporated in the action plan, and further improved the work-life balance of our employees. As a result of these measures, NEC Corporation acquired the "Platinum Kurumin" certification in 2018.

The Company is encouraging greater understanding and utilization of childcare leave among male employees by issuing a Guide for Childcare Leave for Men in line with post-natal paternity leave (childcare leave at the time of childbirth) under the revised Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members and by publishing stories about the experiences of men who have taken childcare leave.

External Ratings and Evaluations

Data related to childcare support		FY2020	FY2021	FY2022	FY2023
Number of employees utilizing childcare leave ¹³	Total	142	180	187	204
	Male	29	63	71	99
	Female	113	117	116	105
Ratio of employees returning to work after childcare leave ¹⁴		—	98.5%	99.0%	98.6%
Number of employees working shorter hours due to childcare	Total	781	765	489	421
	Male	14	5	7	8
	Female	767	760	482	413

13. Number of employees who started childcare leave in the relevant fiscal year under review (excluding corporate officers, temporary employees and advisors; does not include those seconded from other companies to NEC and includes those seconded from NEC to other companies)
Some data for fiscal 2022 and earlier has been restated due to changes in the scope of data aggregation for previous years.
Totals for fiscal 2023 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

14. Some data has been restated due to changes in the scope of data aggregation for previous years.
The rate of utilization of childcare leave, etc., has been calculated based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members. Spousal maternity leave has not been included.

Nursing Care Support

To support employees to balance work and nursing care, we have established systems such as nursing care leave, shorter working hours, and shorter working days.

In addition, a nursing care plan has been set up within "Will be," the cafeteria-style benefits and welfare system, to provide employees with a variety of support to meet their needs as they balance nursing care and work.

From fiscal 2021, the number of employees working reduced hours to fulfill their childcare and nursing care responsibilities will decrease. We believe that this is because the spread of telework and super flex time has led to an increase in the number of employees who are able to balance work with childcare or nursing care without having to work shorter hours. In addition, as a result of encouraging male employees to take childcare leave, the number of employees doing so is increasing.

Data related to nursing care support		FY2020	FY2021	FY2022	FY2023
Number of employees utilizing nursing care leave ¹⁵	Total	15	12	16	17
	Male	7	8	9	7
	Female	8	4	7	10
Number of employees working shorter hours due to nursing care	Total	26	20	7	10
	Male	10	5	0	3
	Female	16	15	7	7

15. Number of employees who took nursing care leave in the relevant fiscal year (excluding corporate officers, temporary employees and advisors; does not include those seconded from other companies to NEC and includes those seconded from NEC to other companies)
Totals for fiscal 2023 have been certified by independent third-party organization, KPMG AZSA Sustainability Co., Ltd.

Securing and Retaining Employees and Labour Practices

Healthy Work–Life Balance: Workstyle Reforms

Measures to Support Diverse and Flexible Workstyles

Promoting Smart Work 2.0

NEC is working to enable individual employees and teams to display a high level of performance by implementing a hybrid workstyle that optimally combines on-site and remote workstyles.

- We operate internal and external satellite offices, in addition to the work from home system.
- Communication-Hubs have been developed to enable team members to exchange opinions openly in an environment that provides high psychological safety, build relationships of trust and align their directions.
- Innovation-Hubs have been developed to seize the future through connections with various stakeholders, including customers, and across organizational and social frameworks.
- FIELD has been established as a space for co-creation involving meals.
- We introduced a flextime system without core working hours ("super flex").
- In fiscal 2022, we established guidelines for long-distance work to facilitate a workstyle for people who reside in locations far from their traditional workplace. Since fiscal 2023, this has been available regardless of whether there is a compelling reason for wanting to reside in a distant location.

Work–Life Balance

NEC grants all employees annual paid leave, and also grants a separate allowance of five days per year of family friendly leave (up to 20 days can be accumulated). Family friendly leave is paid leave that can be used for reasons such as personal illness, a spouse or partner's childbirth, childcare, attending children's school events, family care and local volunteer activities.

The Company is also promoting work-life balance through the following initiatives.

- Following workers union and management deliberations, NEC Corporation and affiliated companies in Japan strengthened their initiatives to prevent excessive work by revising the standard for overtime, requiring a health check at 70 hours of overtime work, down from the previous 80 hours.
- We have also created systems that enable employees to have consultations with an industrial physician of their own volition, even if they have not exceeded the above standard.
- Work status is confirmed by workers union–management committees in each business unit and office and efforts are made to shorten work hours through workstyle reforms, ensure employee health and encourage workers to use paid leave.

Special Jury Prize in the Nikkei Smart Work Awards 2023

NEC received a five-star rating in the Nikkei Smart Work Survey, ranking in the top 24 of the 813 companies that responded to the survey. The Company was also selected to receive the Special Jury Prize in recognition of its excellent systems for promoting health, including mental health, and for receiving a five-star rating for three consecutive years.

Introduction of “Thanks/Praise” Platform

In November 2021, we introduced the “Thanks/Praise” platform, which is aimed at facilitating light, positive feedback using stickers in an effort to foster a culture of mutual acknowledgment and enhancement. The program was expanded throughout the NEC Group (except for certain Group companies) the following year in April 2022.

- We established the Guideline for Balancing Treatment and Work for employees. The guideline indicates that employees can make use of systems such as short-time work or short-day work¹⁶ to allow them to receive medical treatment or recover from cancer and other intractable diseases.
- NEC Corporation and affiliated companies in Japan updated their work hour management systems in line with the fiscal 2020 revision of the Labour Standards Act. The Company put systems in place to properly ascertain work hours, rigorously manage overtime, identify potential risks that could lead to accidents during work hours at an early stage and implement countermeasures as necessary to prevent such accidents.

16. One day a week is predetermined as a non-work day, on which employees are allowed time off from work.

Number of days of annual paid leave and paid leave utilization ratio	FY2020	FY2021	FY2022	FY2023
Number of days of annual paid leave (average for all employees, excluding carryover)	21.5	21.5	21.5	21.5
Paid leave utilization ratio	67.6%	55.8%	59.0%	62.5%
Family friendly leave utilization ratio	—	—	—	33.9%

Work Hour Management

Employees' average monthly overtime is as follows.

	FY2020	FY2021	FY2022	FY2023
Average monthly overtime (hours)	19.0	19.9	21.6	22.1

Human Resource Development

Human Resource Development Policy

Viewing people as its greatest management resource, NEC has been investing in them by transforming systems and improving environments in ways that maximize the capabilities of the Company's personnel and organization.

HR Policy “NEC, for Those Who Seek Challenge”

To be an employer of choice that is always the preferred option not only of markets and customers but also of workers, we have been reforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow and receives fair evaluations. Moreover, we are creating an atmosphere in which proactive employees can shine. The aforementioned reform initiatives are based on our Human Resources (HR) Policy “NEC, for Those Who Seek Challenge,” established in 2019.

HR Policy “NEC, for Those Who Seek Challenge”

NEC Way

The foundation of the reforms that take place within this workplace environment and culture is the NEC Way, which outlines the NEC Group's Purpose and Code of Values. We have defined our Purpose as the creation of the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. With our sights set on realizing this Purpose, we are developing our organizational climate and culture while fostering personnel who have the passion and ambition to create new businesses, the capabilities to take on challenges beyond organizational boundaries, and the perseverance to accomplish initiatives.

NEC Way

Target Employee Engagement Score

Through these reform efforts, we hope to raise the employee engagement score to 50%¹ by fiscal 2026.

1. Based on a survey conducted by the global human resource consulting company Kincentric, a 50% score is in Tier 1, which approximately corresponds to the top 25th percentile of companies globally.

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

1. Cultivate leadership and strengthen management capabilities in order to sustain a successful presence in the global market
2. Professional development to foster a successful business transformation

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Cultivate leadership and strengthen management capabilities in order to sustain a successful presence in the global market
Strengthen succession planning pipeline (Diversify human resources and cultivate global leaders)
2. Professional development to foster a successful business transformation
Train 10,000 human resources involved with DX by fiscal 2026

Progress, Achievements and Issues

1. Cultivate leadership and strengthen management capabilities in order to sustain a successful presence in the global market
 - Promoted two women and two employees with non-Japanese citizenship to corporate officer positions
 - Selected approximately 1,300 promising employees as candidates for the next generation of leaders, and gave them experience and training opportunities aimed at accelerating their growth (35% of nominees were women and foreign nationals, in a bid to diversify human resources)
2. Professional development to foster a successful business transformation
 - Built a systematic human resource development promotion system linked with the growth of the DX business
 - Created the definition of “human resources involved with DX,” and re-established requirements and training targets in order to strengthen personnel (refined and strengthened link with businesses)
 - Reorganized training program for human resources involved with DX and continued to strengthen measures to shift and polish skills
 - Conducted training focused on thought and behavior patterns (completed by 270 people)
 - Conducted training focused on digital technologies (completed by 29,887 people)

FY2024 Goals

1. Cultivate leadership and strengthen management capabilities in order to sustain a successful presence in the global market
 - Identify even more global and young talent, and accelerate their development
 - Update training program for talent pool and promote higher-paced and more advanced training
 - Enhance training centered on challenging cross-organization assignments
2. Professional development to foster a successful business transformation
 - Further update and add sophistication to training programs based on the definition of “human resources involved with DX”
 - Accelerate shift of internal personnel toward digital technologies in keeping with advances in DX business
 - Strengthen progress monitoring in line with systematic development of human resources involved with DX

Human Resource Development

Human Resource Development System

GRI
404-3

With a view to realizing our HR Policy, we are rapidly responding to change and accelerating the establishment of systems that enable the timely assignment of personnel to appropriate positions.

Human Resources for Driving Transformation

We are reorganizing the roles of the People and Culture Division, which spearheads the human resource strategies that support business strategies. We have prepared a human resource model and defined the roles and responsibilities of each human resource business partner, shared service, and center of excellence. The center of excellence function plays a leading role in formulating human resource strategies and establishing optimal programs, systems, and policies and works with human resource business partners to implement measures for human resource development and training throughout the Company.

Training System for Heightening Expertise

We are conducting human resource development to strengthen the expertise of our workforce. These efforts are based on the Human Resources Management Committee—a cross-organizational body that plans, implements, and follows up on measures for specific job types, thereby contributing to the improvement of professional skills in the NEC Group.

Human Resource Foundations for One NEC

To realize the HR Policy, the NEC Group must unify its human resource foundations in-house, including those in Japan and abroad. The Company has therefore unified its human resource evaluations by conducting performance development at NEC Group companies as well as at NEC. Performance development encourages growth and changes in behavior by providing feedback that uses a system of nine blocks based on performance and the Code of Values, goal management, and one-on-one meetings between supervisors and their team members.

Human Resource Development Programs

Develop Talent (Human Resource Development Program and Training)

GRI
404-2

Next-Generation Leadership Development

(1) Human resource discovery

- We have clarified the target profiles of next-generation leaders as well as the capabilities they are likely to need and compiled a list of approximately 1,300 promising personnel from our operations worldwide.
- We hold Talent Talks, in which corporate officers discuss promising personnel, and People & Organization Discussions, which focus on reflecting business strategy in organizational design and personnel assignment.

(2) Training program for the next generation of leaders

- We have developed a stratified leadership program to train the next generation of leaders. The program, which is conducted sequentially, was offered to approximately 100 promising personnel out of roughly 1,300 who applied.
- In fiscal 2023, 15 employees took part in the Advanced Leadership Program, 12 took part in the Beginning Leadership Program, and 11 took part in the Women's Leadership Program, all of which featured feedback from corporate officers.

(3) Global human resource development

- We conduct global leadership programs to ensure that we assign the most globally competent personnel to leadership positions.
- We conduct the Senior Leader Program and the Rising Leader Program.

(4) Roundtable with corporate officers

- Held a roundtable discussion with executives and approximately 100 personnel with particular promise
- Provided opportunities for all promising personnel to engage in dialogue with executive officers

Development of Line Managers

- We have launched management training for newly appointed managers, focused on optimizing performance by maximizing both team cohesion as well as the initiative, creativity, passion, and autonomous behavior of each employee. A total of 873 people participated.

Development of Personnel Conversant with Digital Technologies

- We built a systematic human resource development promotion system linked with the growth of the DX business and revised the definition of “human resources involved with DX,” as well as the requirements and training goals for these human resources, in an effort to enhance them. In keeping with this effort, we have reorganized our training program for these human resources and constantly improve measures to shift and improve their skill sets. In fiscal 2023, 270 people participated in training focusing on mindset and behavior, and 29,887 people participated in training focusing on technology.

Provision of Diverse Learning Opportunities through LinkedIn Learning

- In order to provide opportunities for learning to all employees in line with their learning needs, in fiscal 2021 NEC introduced LinkedIn Learning, an online video service that can be used flexibly in combination with reskilling, management, and other programs. In fiscal 2023, employees took an average of 10.6 courses via the service, with an average study time of two hours and 58 minutes.

Training Framework

Human Resource Development

Human Resource Development

Human Resource Development Programs

Developing Talent in Key Focus Areas

GRI

404-2

NEC is actively engaged in training and acquiring human resources who can use its core technologies to create value.

Training and Acquiring Top Researchers

- Utilized compensation systems with no upper limit for researchers with specialized expertise (Research Specialist Program, Selective Compensation Program for Professional Researchers for non-managerial positions)
- Enhanced hiring for applicants with PhDs
- Boosted hiring for researchers in data science, biometrics, networks, and security fields (Training and Acquisition of Human Resources Who Can Use Core Technologies to Create Social Value)
- Trained project leaders and technological architects via personnel exchanges between business divisions and research divisions
- Expanded business developer training to include researchers
- Enhanced mid-career hiring centered on research engineers and domain specialists

Diversity

- Cultivated researchers in Japan capable of tackling advanced global issues (70% of researchers have overseas work experience either through North American graduate schools or training programs inside or outside the Company)
- Actively recruited top talent from overseas research laboratories
- Recruited from leading international universities, such as the Indian Institute of Technology

Cultivation of Human Resources to Generate New Business

- Established a human resource development system for business development professionals (organization of skills and competencies for business development professionals, creation of practical training system)

Development of Information Security Professionals**Developing specialists who implement security by design**

- NEC has been promoting a “security by design” (SBD) concept whereby security is taken into consideration for integration of products, systems, and services from the planning and design stages.
 - We have fostered specialists who implement SBD and have assisted the security managers² of business divisions since fiscal 2020.
 - Since fiscal 2022, we have introduced a new course for sales personnel. This enables participants to acquire the skills necessary to make appropriate security proposals, including incident case studies and security offerings.
2. Individuals responsible for providing information, project support, and incident response related to cyber security for each business division

Training for taking practical safety measures

- We use a virtual environment that simulates an e-commerce website and thereby provides a location where system engineers can practice taking practical security measures and acquire skills that increase the robustness of systems at their construction stage.
- In fiscal 2021, we made this virtual environment available remotely, which allowed our engineers to strengthen the security technologies that underpin our clients' systems even during the COVID-19 pandemic.

Developing highly skilled cyber security personnel

- In fiscal 2021, we launched the NEC Cyber Security Analyst Program, which is a more practical version of the NEC Chief Information Security Officer Aide Training Program.
- Personnel well versed in cyber security technologies undergo an intensive six-month program to acquire the technical skills needed in the provision of advanced cyber security services, such as the work performed by the Computer Security Incident Response Team (CSIRT) and risk hunting.

Widening our pool of cybersecurity human resources

- To raise the overall level of security skills across the NEC Group, we offer web-based training on the basic cyber security knowledge required by sales personnel and system engineers.
- Since fiscal 2016, NEC has held the NEC Security Skill Challenge, an in-house event for all employees aimed at building and reinforcing security skills that employees can use in their work. In fiscal 2023, a total of over 7,200 employees participated voluntarily.
- We strongly encourage employees to acquire public security qualifications, such as the internationally recognized Certified Information Systems Security Professional (CISSP) qualification and the Registered Information Security Specialist national qualification.

Investing in Human Resource Development

GRI

404-1

Number of training days per employee (days) and training cost per full-time employee (yen) are as follows.

Number of training days per employee (days)	FY2020	FY2021	FY2022	FY2023
Non-consolidated	5.8	5.1	6.6	8.0
NEC Corporation and consolidated subsidiaries in Japan	5.0	4.8	5.0	4.4
NEC Group	—	3.2	3.3	2.9

Training cost per full-time employee ³ (yen)	FY2020	FY2021	FY2022	FY2023
Non-consolidated	133,712	107,825	146,230	161,282
NEC Corporation and consolidated subsidiaries in Japan	89,564	73,759	96,388	109,850
NEC Group	62,564	50,839	65,791	74,371

3. Includes fees for facility usage and transportation associated with training, as well as fees associated with acquiring qualifications needed for the organization's business strategy

Human Resource Development

Measuring the Effects of Human Resource Development

Human Capital Return on Investment

Human capital return on investment is as follows.

Human capital return on investment (%) ⁴	FY2020	FY2021	FY2022	FY2023
NEC Group	3.63	3.55	3.38	3.51

4. Revenue – (Selling, general and administrative expenses – Personnel expenses) / Personnel expenses

Initiative Outcomes Revealed by the One NEC Survey

Our annual One NEC Survey of employees of NEC Corporation and consolidated Group subsidiaries showed a two-point increase in the rate of positive responses to questions regarding career and self-development, compared with fiscal 2022, at both NEC Corporation and its consolidated subsidiaries.

Programs for Upgrading Employee Skills and Transition Assistance Programs

NEC Life Career

To enable each employee to grow and be happy by pursuing a career in line with their values, NEC provides an environment where employees can think about and act on career plans. We have put in place systems that support and encourage the efforts of employees to take the initiative in improving their skills and in pursuing challenging professional roles. Specifically, in fiscal 2021 we renewed and reorganized a set of training programs and systems aimed at self-starting career development and relaunched our career training curriculum under the name Career Design Workshop. Moreover, with the aim of strengthening our ability to support employees' career ownership, we established NEC Life Career, Ltd., in 2020.

Stronger Support for Employees' Independent Career Development

As part of its Human Resources Policy, "NEC, for Those Who Seek Challenge," NEC established the Career Design Workshop to help employees take greater ownership of and realize their career plans. The workshop is spearheaded by NEC Life Career, Ltd., which was established in October 2020, and was conducted for 5,500 employees ranging from their 20s to their 50s. We also held individual career consultations with over 3,000 employees who applied for the service.

In addition, when employees express interest in the opportunity to try taking on new types of work inside or outside the Group, we provide support to help them get settled and achieve success. As businesses and strategies change and organization functions change accordingly, we work vigorously to provide reskilling programs to organizations that require new functions, in addition to initiatives to increase organizational strength.

Introduction of an AI-enabled Recommendation Service to "NEC Growth Careers" (Employee and Position Matching) System

In the past, our system for matching employees and positions entailed employees reading job descriptions of published vacancies and then applying for positions that interested them. Alternatively, the personnel manager of a department with a vacancy would search published resumes and contact personnel who met the position's requirements. In fiscal 2021, NEC began using its AI capabilities to generate job candidate recommendations. Specifically, we use machine learning to match the content of resumes with that of published vacancies. As well as giving employees more opportunities to take on challenges and grow and discover potential they did not know they had, the new service helps the personnel managers of departments with vacant positions efficiently select, secure, and assign the most suitable personnel.

Occupational Health and Safety

Occupational Health and Safety (OH&S) Policy

GRI
403-8**Safety**

The Company is working to secure, maintain, and improve a working environment where people can work safely and healthily as a foundation for realizing its Purpose. To promote these efforts, we have stipulated the following action guidelines in the NEC Group Safety and Health Policy. This policy is approved by the CHRO, who is the corporate officer responsible, and it is applied not only to NEC's officers and employees, but also to all people involved with NEC's businesses and any other parties whose health and safety should be considered.

NEC Group Safety and Health Policy Action Guidelines

NEC has also formulated the Occupational Health & Safety Management Regulations as part of efforts to enhance the quality of its health and safety activities, and has established the NEC Group OH&S Management System, as well as conducting risk assessment and monitoring, and prevention and countermeasures. In the wider NEC Group, NEC Solutions (China) Co., Ltd. and NEC (UK) Ltd. have acquired ISO 45001 certification.

Occupational Health and Safety Management in Construction and Installation Work**Construction Work Project Management****Health**

In fiscal 2020, NEC established the NEC Group Health Declaration. Rather than simply focusing on the prevention of illness among employees, the declaration calls for efforts to improve the health of employees so that they work with mental and physical vitality and achieve self-actualization. In this way, the Group aims to create even more social value.

NEC Group Health Declaration

We carry out a variety of health promotion activities driven by the slogan "Better Condition, Better Life." These activities are conducted under that slogan based on three policies—Literacy, Practice, and Technology—and we seek to reform health awareness, change behavior, and support people in maintaining their behavioral changes.

In recognition of such initiatives, NEC was included in the 2022 Health & Productivity Stock Selection and received certification as a Health and Productivity Management Organization in 2023 (White 500) from Japan's Ministry of Economy, Trade and Industry. Through health and productivity management, beginning from fiscal 2022, we will heighten job satisfaction and our employee engagement score and become an employer of choice, which is a goal of the Mid-term Management Plan 2025.



Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

1. Maintain OH&S levels in a diverse work environment

2. Utilize health data (regular health checkup results, stress check results, etc.) strategically to clarify organizational issues and build a cycle for implementing and evaluating measures

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Maintain OH&S levels in a diverse work environment
 - Raise the completion rate of Companywide online health and safety education (90% or higher)
 - Pre-empt hazardous situations by conducting proactive risk assessments of safe construction processes

2. Utilize health data strategically to clarify organizational issues and build a cycle for implementing and evaluating measures
 - Establish indicators to evaluate health across the organization
 - Maintain certification as a Health & Productivity Stock Selected Company

Progress, Achievements and Issues

1. Maintain OH&S levels in a diverse work environment
 - Increased Companywide completion rate of online occupational health and safety training to 85.3% (18,516 people)

2. Utilize health data strategically to clarify organizational issues and build a cycle for implementing and evaluating measures
 - Multifaceted preliminary examinations to evaluate health levels across the organization
 - Maintain certification as a Health and Productivity Management Organization (White 500)

FY2024 Goals

1. Maintain OH&S levels in a diverse work environment
 - Raise the completion rate of Companywide online health and safety education (90% or higher)
 - Increase the number of near-miss report submissions (10% increase)
 - Monitor the Group's global health and safety activity status (once a year)
 - Conduct regular management status surveys of Group company employees in Japan and abroad regarding human rights and occupational health and safety

2. Utilize health data strategically to clarify organizational issues and build a cycle for implementing and evaluating measures
 - Add and standardize questions about social health and emotional health in Pulse Surveys
 - Certification as a Health and Productivity Management Organization (White 500) and re-certification as a Health & Productivity Stock

Occupational Health and Safety

Occupational Health and Safety System

GRI 403-1	<p>The Human Resources and General Affairs Department establishes targets and key measures for the fiscal year in accordance with NEC's Companywide OH&S Policy Action Guidelines and the NEC Group Health Declaration. To realize these targets and measures, the department operates a management system for preparing and implementing specific measures for each in-house geographical area, business site, and consolidated subsidiary in Japan, and for conducting internal audits and reviews. Particularly with regard to health and productivity management, the People Success Group and Wellness Promotion Center of the Human Resources and General Affairs Department and the NEC Health Insurance Association act as a health promotion team for the Company and its consolidated subsidiaries in Japan. As well as conducting independent health-related activities, these organizations work in close collaboration and pool their data and expertise to advance initiatives.</p>	<p>Furthermore, to help us achieve the goals of the Mid-term Management Plan 2025, we set KPIs in consultation with the CHRO and based on the World Health Organization's definition of health as "a state of complete physical, mental, and social well-being." Consequently, the KPIs now focus on social health along with our existing emphasis on physical and mental health. Under the direction of the CEO, the CHRO oversees activities related to occupational health and safety throughout the Company, including risk management, and reports on these activities to the Board of Directors.</p> <p><u>The NEC Group's Health and Productivity Management Implementation Framework</u></p>
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Occupational Health and Safety Management

Risk Management Regarding Occupational Health and Safety

GRI 403-2 403-3 403-7	<p>NEC conducts risk identification and countermeasures based on the NEC Group OH&S Management System.</p> <p>These initiatives are overseen by the Human Resources and General Affairs Department, with its internal organization, the Regional Affairs Department, which serves as a regional center handling routine matters by acting in the role of the promotion office. Specifically, the Regional Affairs Department holds health and safety committee meetings in each region and communicates details of their discussions and deliberations internally. It also receives inquiries from a wide range of employees and organizations as the internal contact desk.</p> <p>Furthermore, labour union members also participate in a monthly worksite inspection conducted by an industrial physician, exchanging opinions with workplace representatives and gathering opinions. When new risks arise regarding health and disasters, the information is quickly gathered and used by the health and safety committees to make improvements.</p>	<p>Meanwhile, important matters such as a major disaster or pandemic are handled by the Business Strategy Committee attended by corporate management, such as the president or directors. The committee decides on important themes each year, reviews the flow for countermeasures, and conducts exercises. (Our response to the pandemic is described in the section on "Business Continuity.")</p> <p>Furthermore, we provide a channel for exchanging information with subsidiaries abroad to share safety confirmation information during disasters and take steps to ensure workplace safety.</p> <p><u>Crisis Management and Business Continuity</u></p>
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Status of Labour-Management Discussions Regarding Occupational Health and Safety (Status of Health and Safety Committees, Etc.)

GRI 403-4	<p>At each business site and base, health and safety committees meet each month in line with laws and regulations to take action on ensuring health and safety and promoting comfortable workplace environments. Committee members include health and safety commissioners and labour union representatives selected by each division, along with employee representatives, and industrial healthcare staff (industrial physicians, public health nurses, and registered nurses). They share information on the status of labour accidents and the targets for each fiscal year, as well as discussing new health and safety countermeasures and health-related measures, among others.</p>
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Training and Awareness-Raising Regarding Occupational Health and Safety

GRI
403-5

OH&S training rates and training completion rates are as follows.

	FY2020	FY2021	FY2022	FY2023
Companywide OH&S training participants (ratio)	18,688 (89.0%)	18,380 (90.9%)	19,259 (91.0%)	18,516 (85.3%)
Employees completing the Basic Lifesaving Workshop	142	109	120	251

Occupational Health and Safety

Status of Labour Accidents and Disasters

Trend in Status of Labour Accidents and Disasters

GRI 403-9 403-10	Labour accidents at NEC Corporation are mostly minor, such as tripping on stairs at train stations or falling on the street during business trips or sales calls. As such, there have been no major accidents.																															
	In addition, we have not identified any instances of serious violations of laws and regulations from related organizations.																															
	When a labour accident occurs, the person responsible for monitoring labour accidents checks on the status of the person or persons affected by the accident, determines the cause, and implements measures to prevent a recurrence as needed, as laid out in the Company's escalation rules. Even for minor labour accidents such as tripping or falling, the details and countermeasures are shared throughout the Company via the OH&S Committee, the intranet, and other means. We strive to prevent labour accidents that could be caused by natural disasters, for example, calling on employees to remain at home or to return home early if a typhoon or heavy snowfall is forecast.																															
	<table border="1"> <thead> <tr> <th colspan="2">Labour accidents and disasters¹</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr> </thead> <tbody> <tr> <td rowspan="2">Frequency rate</td><td>Non-consolidated</td><td>0.2600</td><td>0.0300</td><td>0.0600</td><td>0.0600</td></tr> <tr> <td>Consolidated subsidiaries in Japan</td><td>0.0800</td><td>0.0600</td><td>0.1300</td><td>0.1600</td></tr> <tr> <td rowspan="2">Severity rate</td><td>Non-consolidated</td><td>0.0037</td><td>0.0000</td><td>0.0026</td><td>0.0002</td></tr> <tr> <td>Consolidated subsidiaries in Japan</td><td>0.0100</td><td>0.0000</td><td>0.0000</td><td>0.0000</td></tr> </tbody> </table> <p>1. The calculation methodology for labour accidents and disasters is as follows. Data collection period: From January 1 to December 31 each year (For 2019, NEC Corporation data is for the period April 1, 2019 to March 31, 2020.) 1) Frequency rate Lost time injury frequency rate = (number of lost time injuries / total number of work hours) × 1,000,000 2) Severity rate Labour accident and disaster severity rate = (number of lost work days / total number of work hours) × 1,000 Number of lost work days: In the case of death or serious injury = 7,500 days. In the case of temporary disability = the number of calendar days taken off work multiplied by 300/365 NEC Corporation's figures for 2022 have been certified by the independent third-party organization, KPMG AZSA Sustainability Co., Ltd.</p> <p><u>Trends in Frequency Rate and Severity Rate</u></p>					Labour accidents and disasters ¹		2019	2020	2021	2022	Frequency rate	Non-consolidated	0.2600	0.0300	0.0600	0.0600	Consolidated subsidiaries in Japan	0.0800	0.0600	0.1300	0.1600	Severity rate	Non-consolidated	0.0037	0.0000	0.0026	0.0002	Consolidated subsidiaries in Japan	0.0100	0.0000	0.0000
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Response to Serious Global Health and Safety Issues

Countermeasures for Transmissible Diseases and Response to COVID-19

Countermeasures for Transmissible Diseases

At NEC, we have established a consultation window on transmissible diseases at wellness promotion centers, and we also use our intranet to provide information about how to prevent transmission and to remind people to exercise caution. In addition, we provide financial assistance for seasonal influenza vaccinations and various other types of vaccination as part of infection prevention countermeasures.

When employees are sent on assignment abroad, we make them aware of the need to be careful and receive vaccinations for transmissible diseases that are commonly seen in the local area, including transmissible diseases such as tuberculosis and malaria that are required to be reported. In addition, we pay careful attention to employees' health management during transit and on their return to Japan.

Response to COVID-19

Crisis Management and Business Continuity

Health Management

Results and Medium-term Targets for Health Management Initiatives (As of March 31, 2023)

Overview of Health Management (Health Promotion)

GRI 403-6	NEC is working to promote health through the following initiatives.				
	<p>Health Checkups</p> <p>We provide blood tests for all employees of NEC Corporation and 24 affiliated companies in Japan, including all items covered in the regular health examination, with the goal of identifying lifestyle diseases at an early stage and responding quickly. This enables us to implement comprehensive countermeasures against lifestyle diseases right through from joining the Company to retirement.</p> <p>Health Checkup Forecast Simulation</p> <p>Approximately 60,000 NEC Group employees have been offered an online service that enables them to simulate their future health risks and learn what would happen if they improved their current lifestyle.</p>				

Occupational Health and Safety

Health Management

Overview of Health Management (Health Promotion)

GRI
403-6**Health Promotion Events**

In fiscal 2023, we held 13 events, including exercise seminars conducted by professional trainers and lectures on diet, sleep, and cancer held by experts and industrial physicians. 18,406 people attended the events.

Smoking Cessation

Please refer to the following for NEC's initiatives on smoking cessation.

Occupational Health and Safety**Measures against Cancer**

In fiscal 2023, awareness-raising activities included inviting industrial physicians to conduct four seminars on themes ranging from cancer prevention through to treatment and support for employees receiving treatment. A total of 3,707 people attended the seminars.

To support those working while concurrently receiving treatment, in May 2018 we formulated guidelines covering the Company's position, direction, points for employees and supervisors to be aware of, and so forth. Depending on the situation, we will support individual employees receiving treatment by coordinating with them, their workplaces, wellness promotion centers, and the Human Resources and General Affairs Department.

Health Support for Young Employees

NEC Corporation and 24 affiliated companies in Japan are implementing the following initiatives designed mainly to foster a self-care mindset.

Newly hired employees: a talk given by an industrial physician soon after joining the Company, and "freshers' interview" health guidance provided by health nurses and clinical nurses after assignment.

27-year-olds: everyone is interviewed.

30-year-olds: "Health College 30" participatory group training.

Communication of Various Health-related Information

• Each month we provide monthly "Health News" information that can be implemented straight away using an intranet portal, digital signage, the labour union email magazine, and various other media and forums such as the health and safety committee meetings.

Initiatives for Preventing Lifestyle-related Diseases

Please refer to the following for NEC's initiatives on preventing lifestyle-related diseases.

Occupational Health and Safety**Addressing Women's Health**

- We have conducted seminars on general women's health, and seminars to spread awareness of types of cancer that affect women in particular.
- In fiscal 2022, we provided video content and discount coupons that can be used at various medical institutions for fertility treatments or other items. These services have been introduced in response to the three policies put forth by the Ministry of Economy, Trade and Industry to support diversity in health management (improvement of literacy, establishment of a consultation desk, and a comfortable work environment). (number of people who viewed video content in fiscal 2023: 4,006)
- We will add upon the aforementioned initiatives by establishing a consultation desk dedicated to women's health issues within the Company.
- We participated in trial projects related to pregnancy and fertility treatment, provide pregnancy support and foster a corporate culture through awareness raising, provide personal care services including medical examinations and encourage treatment.

Mental Health Measures

We position mental healthcare as a key healthcare priority, and we are creating a healthy workplace by maintaining the mental health of our employees.

- Web-based training completion rate: 96.2% (target: NEC Corporation and 12 consolidated subsidiaries in Japan)
- Mental health training for managers
- Stress checks

- Mental Health Support Program
- Return-to-work support program
- Consultation desks (in-house/external)

NEC Health Insurance Association System

Measures against Cancer

In collaboration with the NEC Health Insurance Association, we have established an environment that allows employees to receive the same screening tests as they would at an external medical institution for a lower self-coverage cost, and to take the examinations during work hours. In fiscal 2023, we carried out measures to increase the rate of cancer diagnostic testing by providing a course of tests nationwide, including regular health examinations, to make it easier for people to undergo cancer screenings. As a result, testing locations were significantly increased and it was made possible to undergo regular health examinations and cancer screening tests at the same time. These measures have significantly increased the NEC Group's cancer screening test rate, from 42.0% to a projected 51.9%.


Smoking Cessation Measures

In collaboration with the NEC Health Insurance Association, we provide an online Quit Smoking Program, which offers employees free outpatient consultations with a doctor about quitting smoking.

Dental Examinations

Employees have access to free dental checkups, which are provided based on a contract with the NEC Health Insurance Association.

Respecting Human Rights

Policy on Respecting Human Rights												
GRI 2-24	<p>As a company that operates businesses globally, NEC is committed to reducing and preventing any negative impacts its corporate activities may have on the human rights of its stakeholders. Also, by making use of ICT, including social implementation of AI and utilization of biometrics and other data, we believe that we can provide the social values of safety, security, fairness and efficiency.</p> <p>Guided by the NEC Way’s Principles, which express the behavior that we value as a company, NEC is dedicated to “Uncompromising Integrity and Respect for Human Rights,” while the NEC Group Code of Conduct governs the individual conduct of everyone from executives to employees by clearly requiring respect for human rights in all situations. NEC has also detailed its policy for respecting human rights across its entire value chain in the NEC Group Human Rights Policy.</p>	<p>NEC has identified four salient human rights issues by continuously evaluating actual and potential negative impacts on human rights, including indirect impacts not only of the NEC Group but also its suppliers and others. We are working to prevent and mitigate risks related to these issues. Furthermore, as a member of the ICT sector, we recognize one of these salient human rights issues, “Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights),” as a priority management theme from an ESG perspective— materiality. As such, in addition to compliance with laws and regulations, NEC also plans to develop and supply products and services that are considerate of the different privacy needs of various countries and regions due to cultural perspectives and that are sensitive to human rights issues, such as discrimination. Through these means, NEC will strive not only to minimize adverse impacts on society but also to maximize social value.</p>										
NEC Group Human Rights Policy												
GRI 2-24	<p>In 2015, NEC formulated the NEC Group Human Rights Policy, declaring its intention to advance initiatives to promote respect for human rights across its entire value chain through dialogue and consultation with stakeholders and by implementing human rights due diligence.¹ Furthermore, in June 2022, the policy was revised and these revisions clearly show senior management’s commitment to respecting human rights as well as its governance system, as required by the United Nations Guiding Principles on Business and Human Rights (UNGPs). The policy was reported at the Board of Directors’ meeting held in fiscal 2023. In revising the policy, we held talks with a wide range of internal and external stakeholders, including labour unions, experts from the International Labor Organization (ILO), international NPOs, investors, and lawyers specializing in human rights and business.</p> <p>The NEC Group Human Rights Policy applies to all officers and employees of NEC and its consolidated subsidiaries, including fixed-term contract employees, temporary employees, and part-time employees. We also encourage our suppliers, business partners and customers to understand this policy and share our commitment to respecting human rights. This policy, as well as our initiatives for promoting respect for human rights based on this policy, will be reviewed periodically and updated or revised as necessary.</p> <p>The policy supports international human rights standards relevant to NEC’s businesses and technologies, including those established in the United Nations’ International Bill of Human Rights,² the International Labour Organization (ILO) Core Labour Standards that consist of ten fundamental conventions in five categories, the UNGPs, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Moreover, the policy stipulates that where national laws in the relevant jurisdiction conflict with internationally recognized human rights, we will seek ways to respect the principles of internationally recognized human rights.</p> <p> NEC Group Human Rights Policy</p>	<p>1. A process that includes the assessment of risks and identification of issues caused by the Company’s business operations that have negative impacts on human rights, the response to these identified issues (their integration into management), the monitoring of the results, and the reporting of initiatives</p> <p>2. This refers collectively to the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights that were adopted by the UN General Assembly</p> <p>ILO Core Labour Standards that Consist of Ten Fundamental Conventions in Five Categories</p> <table><tr><td>Freedom of Association and the Effective Recognition of the Right to Collective Bargaining</td><td>Freedom of Association and Protection of the Right to Organise Convention (No. 87) The Right to Organise and Collective Bargaining Convention (No. 98)</td></tr><tr><td>Elimination of All Forms of Forced or Compulsory Labour</td><td>Forced Labour Convention (No. 29) Abolition of Forced Labour Convention (No. 105)</td></tr><tr><td>Effective Abolition of Child Labour</td><td>Minimum Age Convention (No. 138) Worst Forms of Child Labour Convention (No. 182)</td></tr><tr><td>Elimination of Discrimination in Respect of Employment and Occupation</td><td>Equal Remuneration Convention (No. 100) Discrimination (Employment and Occupation) Convention (No. 111)</td></tr><tr><td>Conditions for a Safe and Healthy Working Environment</td><td>Occupational Safety and Health Convention (No. 155) Promotional Framework for Occupational Safety and Health Recommendation (No. 187)</td></tr></table>	Freedom of Association and the Effective Recognition of the Right to Collective Bargaining	Freedom of Association and Protection of the Right to Organise Convention (No. 87) The Right to Organise and Collective Bargaining Convention (No. 98)	Elimination of All Forms of Forced or Compulsory Labour	Forced Labour Convention (No. 29) Abolition of Forced Labour Convention (No. 105)	Effective Abolition of Child Labour	Minimum Age Convention (No. 138) Worst Forms of Child Labour Convention (No. 182)	Elimination of Discrimination in Respect of Employment and Occupation	Equal Remuneration Convention (No. 100) Discrimination (Employment and Occupation) Convention (No. 111)	Conditions for a Safe and Healthy Working Environment	Occupational Safety and Health Convention (No. 155) Promotional Framework for Occupational Safety and Health Recommendation (No. 187)
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Conditions for a Safe and Healthy Working Environment	Occupational Safety and Health Convention (No. 155) Promotional Framework for Occupational Safety and Health Recommendation (No. 187)											
Respect for the Rights of Children												
	<p>NEC strives to prevent and mitigate adverse impacts of its products and services on children in support of the United Nations Convention on the Rights of the Child and the Children’s Rights and Business Principles,³ which mentions the rights of vulnerable children, in addition to the international standards embedded in the NEC Group Human Rights Policy.</p>	<p>In accordance with the Guidelines for Responsible Business Conduct in Supply Chains, NEC endeavors to abolish child labour from its supply chains and promote business activities and corporate citizenship activities that are based on consideration for human rights—including the rights of children.</p> <p>3. Established by UNICEF, the UNGC, and Save the Children in 2012</p>										

Respecting Human Rights

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

1. Promote employee understanding of the latest developments in global human rights
2. Promotion of Due Diligence in Human Resources

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Promote employee understanding of the latest developments in global human rights
 - For employees (including dispatched workers): Continue to hold online training on Companies and Human Rights, and maintain a 90% completion rate
2. Promotion of Due Diligence in Human Resources
 - Revise the NEC Group Human Rights Policy based on the UNGPs and spread awareness of policy throughout the value chain
 - Enhance governance system for addressing the risk of human rights infringements in the value chain and implement due diligence measures in high-risk regions from a human rights standpoint

Progress, Achievements and Issues

1. Promote employee understanding of the latest developments in global human rights
 - Held online training on "Business and Human Rights" for employees with an 86% completion rate (including dispatched workers)
 - Implemented quarterly training for Human Rights Hotline staff using case studies
2. Promotion of Due Diligence in Human Resources
 - In addition to training for all employees, conducted training and workshops for persons in charge of international operations related to high-risk areas, for the Legal and Compliance Division
 - Established a human rights impact assessment process for businesses in high-risk areas from a human rights perspective, and started risk mitigation measures for the Company and domestic affiliate companies

FY2024 Goals

1. Promote employee understanding of the latest developments in global human rights
 - For employees (including dispatched workers): Continue to hold online training on Companies and Human Rights (target completion rate: 90%)
2. Promotion of Due Diligence in Human Resources
 - Monitor initiatives for addressing salient human rights issues
 - New technologies such as AI and human rights: Continue to strengthen AI governance in accordance with legal and regulatory trends in Japan and abroad
 - Human rights risks associated with geopolitical conditions and the impact of conflict: Establish a human rights impact assessment process for businesses in high-risk areas from a human rights perspective, and start risk mitigation measures for international affiliate companies
 - Labour in supply chains: Continue acquiring declarations from suppliers which account for 75% of the total consolidated procurement amount
 - Employee health and safety: Conduct regular management status surveys of employees in Group companies in Japan and abroad regarding human rights and occupational health and safety

Framework for Respecting Human Rights

GRI
2-24

The CEO of NEC Corporation oversees its human rights initiatives. For salient human rights issues, a corporate officer is appointed to be in charge and promote human rights due diligence. NEC promotes human rights initiatives in accordance with the UNGPs, with the Stakeholder Relations Department's Sustainability Strategy Planning Office managing progress as secretariat.

The corporate officer in charge of sustainability promotion regularly presents status reports on initiatives to the Board of Directors, which monitors the progress of the initiatives. Furthermore, the Corporate Human Rights Promotion Committee, established in 1997, continues its work to promote activities that raise awareness of human rights, such as the elimination of discrimination and the prevention of harassment.

Promotion of Human Rights Due Diligence Focused on Salient Human Rights Issues

GRI
2-24

Initiatives to Address Salient Human Rights Issues

Working with multiple external experts, including NPOs and other organizations in the social sector, NEC has identified the following four salient issues and is promoting initiatives to address them.

New technology and human rights (AI and human rights)

In executing its AI business, NEC has formulated Companywide regulations covering policies for the appropriate protection of basic human rights (such as privacy), their structure, planning, implementation, inspection and revision. We are working to ensure the implementation and operation of these regulations.

AI and Human Rights

Personal Information Protection and Privacy

Human rights risks related to geopolitical situations and conflicts

In export control, we confirm the intended use of products and services prior to transactions as well as identifying customers according to sanctions lists of the United Nations and other countries. The sanctions lists of individual countries include organizations and individuals that are subject to human rights-related sanctions, such as those set forth in the U.S. Department of the Treasury's Office of Foreign Assets Control sanctions list. Furthermore, we have identified countries and regions with high human rights risks based on the OECD States of Fragility 2022⁴ list, and we check information regarding human rights and corruption before engaging in transactions with customers in those areas. If risks are confirmed to be present, we prevent and mitigate risks with measures including written agreements, and report our findings to the Risk Control and Compliance Committee.

4. OECD States of Fragility 2022: The OECD evaluates each country's risk status and response capability across six dimensions: economic, environmental, political, security, societal and human

Respecting Human Rights

Promotion of Human Rights Due Diligence Focused on Salient Human Rights Issues		
GRI 2-24	<p>Labour in supply chains</p> <p>NEC is promoting activities with a risk-based approach, in accordance with the steps set out in OECD Due Diligence Guidance for Responsible Business Conduct.</p> <p>Supply Chain Management</p>	<p>Employee safety and health</p> <p>NEC conducts risk identification and implements countermeasures based on the NEC Group OH&S Management System. In fiscal 2024, NEC started self-assessment checks to strengthen management of occupational health and safety at Group companies in Japan and abroad.</p> <p>Occupational Health and Safety</p> <p>Going forward, we will continue to engage in dialogues and consultation with stakeholders, promote further efforts regarding respect for human rights, and disclose information in a timely and appropriate manner.</p>

Grievance Mechanism											
Grievance Mechanism											
GRI 2-25	<p>In the event of a violation or suspected violation of human rights, NEC will immediately and accurately investigate the facts and the causes of the incident and strive to take appropriate measures to resolve the matter.</p> <p>We have a whistleblowing system that allows stakeholders to report information anonymously. We will keep the identity of any whistleblower and the content of any whistleblowing reports confidential. We ensure that whistleblowers are protected effectively against unfair treatment or retaliation in any form. Aside from NEC Group employees, this system serves as a contact point for a wide range of stakeholders, including temporary workers, business partners and local communities.</p> <p>To further strengthen the grievance mechanism, we have participated in the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) at the investigation stage, a cross-industry initiative launched by the Japan Electronics and Information Technology Industries Association (JEITA) and the Business and Human Rights Lawyers Network (BHRL), an association of lawyers.</p> <p>Human Rights Hotline (For Employees in Japan, Including Temporary Workers)</p> <p>The Human Rights Hotline is intended for use by all those working for NEC, including temporary and part-time workers. The system comprises an anonymous consultation desk operated by a third-party organization, as well as a point of contact set up in the Human Resources and General Affairs Department of each business site and in each business unit, with reports possible by phone or by email in Japanese and English.</p> <p>Hotline for Employees Outside of Japan (Including Temporary Workers)</p> <p>For NEC’s consolidated subsidiaries abroad, regional headquarters also set up whistleblowing systems operated by third parties in each region, which are available for officers and employees to use in the local language (English, Spanish, Portuguese or Chinese).</p>										
	<p>Compliance Hotline (For Business Partners)</p> <p>NEC receives human rights-related reports from suppliers through the Compliance Hotline, which is operated by a third-party organization.</p> <p>Compliance (Internal Reporting Systems)</p> <p>Supply Chain Management</p> <p>Customer Communications Center (For Customers and Local Residents)</p> <p>NEC receives human rights-related reports from customers and residents of local communities through the Customer Communications Center.</p> <p><u>NEC Customer Communications Center</u></p> <p>Customer Relationship Management</p> <p>Employees at each subsidiary in the EMEA region can report witnessed or suspected fraud-related wrongdoing, including modern slavery, through Safecall, a third-party 24-hour confidential reporting line. Suppliers’ concerns can be reported via contact points that are operated internally by subsidiaries in the EMEA region, the Legal Division of NEC Europe, or Safecall.</p>										
Operational Status of the Human Rights Hotline											
GRI 2-26 406-1	<p>In 2020, we established a consultation desk operated by a third-party organization for employees of NEC Corporation in addition to the human rights hotline that already existed at NEC Corporation and its Group companies in Japan and abroad. In 2021, we expanded the scope of this service to include employees at our Group companies in Japan.</p> <p>We are working to raise awareness of the hotline with efforts that include officer messaging for eliminating harassment and online training.</p> <table><tr><th>Human rights hotline: Number of consultations</th><th>FY2020</th><th>FY2021</th><th>FY2022</th><th>FY2023</th></tr><tr><td>NEC Corporation and consolidated subsidiaries in Japan</td><td>42⁵</td><td>23⁵</td><td>169</td><td>109</td></tr></table> <p>5. NEC Corporation</p>	Human rights hotline: Number of consultations	FY2020	FY2021	FY2022	FY2023	NEC Corporation and consolidated subsidiaries in Japan	42 ⁵	23 ⁵	169	109
Human rights hotline: Number of consultations	FY2020	FY2021	FY2022	FY2023							
NEC Corporation and consolidated subsidiaries in Japan	42 ⁵	23 ⁵	169	109							

Respecting Human Rights

Engagement on Human Rights

Dialogue with Stakeholders		
GRI 2-24	Since fiscal 2022, the Sustainability Advisory Committee has been held at NEC Corporation for the CFO and corporate officers involved in promoting sustainability to conduct regular discussions with external sustainability experts. At the second committee meeting, Ms. Asako Nagai from Business for Social Responsibility (BSR) shared the latest trends regarding responses to human rights-related risks, and each participant shared their awareness of various issues before discussing response measures.	The Progress of Sustainability Promotion and Our Response to the Human Rights Risks under Purpose-driven Management

Participation in Initiatives on Human Rights		
GRI 2-24	NEC Corporation and NEC Europe participate in the Working Group on Human Rights Due Diligence run by the UNGC Local Network.	In 2020, we also became a member of BSR, which has a strong record of supporting responses to human rights issues in the global ICT industry. We acquire information on the latest trends and examples from seminars and study sessions, which inform our activities to improve and enhance initiatives on global human rights issues.

Responding to Modern Slavery Acts		
GRI 2-24	With approval from the Board of Directors, since fiscal 2019 NEC Corporation and NEC Europe have published declarative statements to the effect that they will report on measures related to the United Kingdom’s Modern Slavery Act 2015, which is aimed at preventing slave labour and human trafficking. Furthermore, in fiscal 2021 and fiscal 2022, with the approval of the Board of Directors, NEC Corporation and NEC Australia Pty Ltd also published a declarative statement of their intention to comply with Australia’s Modern Slavery Act 2018.	NEC Group Statement for Modern Slavery Acts Supply Chain Management

Human Rights Training and Awareness-Raising

GRI
2-24

NEC provides awareness-raising activities including training for all officers and employees responsible for respecting human rights, in order to deepen their awareness in terms of respect for human rights and to promote their understanding of global trends on human rights issues.

Training at NEC Corporation

- Training to spread awareness of human rights is held annually for all employees, including temporary and non-temporary workers (fixed-term and part-time workers). This training follows themes such as “Companies and Human Rights,” “Human Rights Issues in the Biometrics Business and NEC Initiatives,” and “Diversity and Human Rights.” (fiscal 2023 completion rate: 86%)
- We used case studies to provide training on the key points of labour management and harassment prevention for newly appointed Group managers and those who are in management
- For employees performing hiring interviews, we introduced example cases and ensured that everyone had a clear understanding of points to keep in mind during Q&A sessions, in order to maintain fair hiring decisions and equal opportunity in the workplace. The course was attended by approximately 700 people.

Number of employees who completed human rights awareness-raising training	FY2020	FY2021	FY2022	FY2023
Companywide training ⁶	21,150	20,592	20,768	20,993
New employee training	537	614	568	660

6. E-learning is held every year for all employees (attendance is mandatory). This training includes an explanation of the NEC Group Human Rights Policy.

Training at NEC Corporation and its Group Companies in Japan

We held a program on “Harassment and Respecting Human Rights” as part of our training for newly appointed corporate officers, and 64 people attended.

Training at NEC Group Companies


NEC Corporation provides access to the human rights training program to its group companies in Japan, including security contractors.

Training Focused on the Downstream Value Chain

In fiscal 2024, we conducted training focused on the downstream value chain as a response to geopolitical risk, which was added to our list of salient human rights risks in fiscal 2023.

- Invited an expert from the international NPO BSR to give a lecture to all employees on “Responding to Human Rights Risks in the Downstream Value Chain.” Furthermore, for persons responsible for international operations in high-risk areas, conducted workshops for learning about human rights risk case studies and risk reduction measures at other global companies, and for considering NEC’s response measures.
- Invited an external lawyer to hold training for the Legal and Compliance Division on legal and regulatory trends relating to business and human rights, the current status of legal affairs and compliance operations for promoting human rights due diligence, and points to keep in mind when making and entering into contracts.

AI and Human Rights

Policy on AI and Human Rights		
	<p>NEC has formulated the NEC Group AI and Human Rights Principles (the “Companywide principles”) to guide our employees to recognize respect for privacy and human rights as the highest priority in our business operations in relation to social implementation of AI and utilization of biometrics and other data (“AI utilization”).</p> <p> NEC Group AI and Human Rights Principles</p> <p>In addition to facilitating compliance with relevant laws and regulations around the globe, the Companywide principles guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to AI utilization, and enable them to take action accordingly.</p>	<p>In accordance with the Companywide principles, the NEC Group is committed to the three following initiatives:</p> <ol style="list-style-type: none">1. Ensure that all products and services are implemented and utilized by NEC employees, customers, and partners appropriately2. Continue to develop advanced technology and talent to further promote AI utilization with respect for human rights as the highest priority3. Engage with a range of stakeholders to build partnerships and to collaborate with closely in relation to AI utilization <p>Furthermore, based on the Companywide principles, NEC has defined “Provision and Utilization of AI with Respect for Human Rights (AI and Human Rights)” as one of its management priority themes from an ESG perspective—materiality.</p> <p>Materiality (Priority Management Themes from an ESG Perspective)</p>

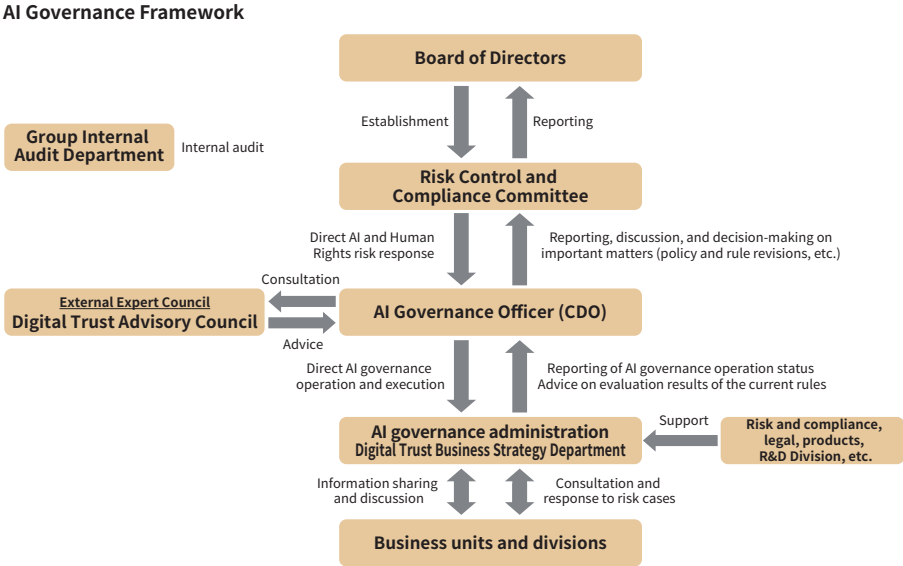
Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues			
Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026			
M: Major non-financial indicators related to “materiality”			
	M: Promote business activities that respect human rights as AI becomes a part of society		
FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals			
FY2023 Goals 1. Strengthen AI governance based on trends in laws and regulations in Japan and abroad <			

AI and Human Rights

Implementation Framework for AI and Human Rights

In executing its AI business, NEC has formulated Companywide regulations covering the policies, structure, planning, implementation, inspection, and revision aspects of appropriate protection of privacy and basic human rights ("AI governance"). We are working to ensure the implementation and operation of AI governance in order to provide appropriate protection of privacy and other basic human rights. The relationship between the AI governance officer (CDO), the Risk Control and Compliance Committee, the Board of Directors and the External Expert Council is positioned as our corporate governance, and we coordinate with various external and internal divisions and functions to address AI governance.

We have established the Digital Trust Business Strategy Department to create and promote Companywide strategies to incorporate the notion of respect for human rights into business operations in relation to AI utilization. The department promotes business operations that respect human rights through measures that include the establishment of internal systems and training for employees to incorporate the Companywide principles into our business operations, while also strengthening links with relevant divisions and Research & Development Division. Furthermore, we have created checklists for human rights and privacy considerations, and are carrying out these checks at every stage from the planning phase onwards.



External Expert Council

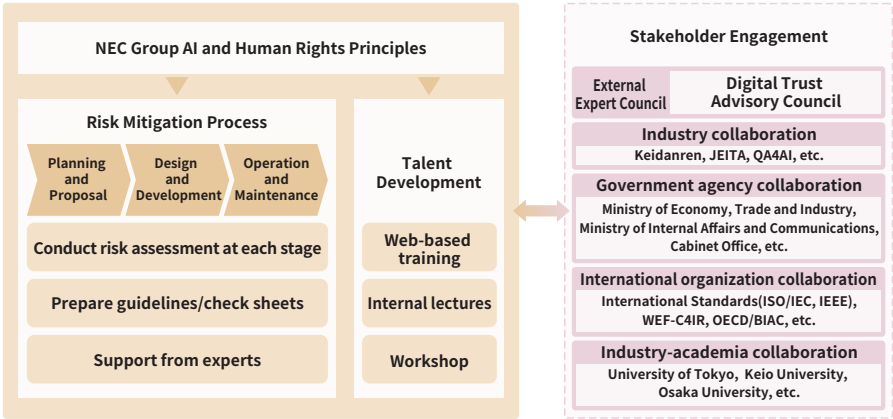
The Digital Trust Advisory Council includes external experts with specialist knowledge of legal systems, human rights, privacy, and ethics. As an advisory council under the AI governance officer, we consult with experts on our policy and initiatives for advice on strengthening our governance, which we reflect in our initiatives. Through the council, the Company is able to incorporate diverse external opinions and strengthen its response to emerging issues related to AI utilization.

AI and Human Rights

Risk Mitigation Initiatives

To realize Companywide principles, NEC is working to ensure it has a timely grasp of trends in factors such as laws and regulations and social acceptability. Meanwhile, in our execution of business, we are working on a risk mitigation process, which involves identifying risks and implementing countermeasures, talent development to develop employees' understanding of risk, and stakeholder engagement to incorporate diverse external opinions into our activities.

As we engage in these initiatives, we respond to changes in the environment surrounding AI and human rights and revise our rules and our implementation of measures in accordance with the agile governance framework set out in the Governance Guidelines for Implementation of AI Principles announced by the Ministry of Economy, Trade and Industry in July 2021. We are also working to ensure compliance with laws, regulations and guidelines in Japan and abroad.



Risk Mitigation Process

To ensure appropriate utilization of AI in each phase, such as the planning and proposal, design and development, and operation and maintenance phases, NEC conducts risk checking and countermeasures from various perspectives, including fairness, accountability, transparency, privacy and proper utilization. In our risk checks for each phase, we prepare guidelines and check sheets related to human rights and privacy considerations, coordinating with relevant departments to ensure that our initiatives observe laws and regulations and respect human rights.

In addition, to promote appropriate AI utilization by our customers and business partners, we use our know-how and knowledge to provide design samples and support the publication of usage goals.

Talent Development

We conduct the following training for employees and officers of NEC Corporation and affiliated companies in Japan and abroad so that they can act appropriately with respect for human rights in business operations, in accordance with the Companywide principles.

Web-based Training

- All employees of NEC attend annual web-based training where they learn about AI technology, the importance of ethics in AI, trends in laws and regulations in Japan and abroad governing AI utilization, important considerations related to human rights and privacy in AI utilization, and NEC's Companywide principles and their implementation. In addition, the training is also conducted giving priority to 50 Japanese and international affiliates conducting AI-related business. (Of these, the completion rate in fiscal 2023 for 12 companies that have introduced the web-based training system Learning Door was 92%.)

Internal Lectures

- NEC invites external experts to give internal lectures for persons involved in the AI business, where examples that have been subject to social criticism and other case studies are shared, and participants can learn more about points to keep in mind when providing services and how to respond.
- Since fiscal 2022, we have run lectures for management teams by invited external experts, to deepen management's understanding of international trends related to AI and human rights as a way to ensure that respect for human rights is a component of our decision-making.

AI and Human Rights

Grievance Filing Mechanism

	<p>The NEC Customer Communication Center (CCC) has been established as a comprehensive contact point in Japan for inquiries regarding NEC products, systems and services.</p> <p>Customer Relationship Management</p>
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Engagement on AI and Human Rights

	<p>In order to respond to social trends, such as laws, regulations and social acceptability, NEC builds partnerships and collaborates with various stakeholders.</p> <p>Digital Trust Advisory Council</p> <p>The Digital Trust Advisory Council, a panel of experts established in fiscal 2020, incorporates on an ongoing basis the diverse opinions of external experts in human rights, privacy, and ethics, as well as the legal system, to strengthen our response to new issues that arise in relation to the use of AI.</p> <p>At its fiscal 2023 meeting, the council exchanged opinions on our policies for strengthening AI governance based on trends in domestic and international laws and regulations and society's expectations and demands, as well as how to appropriately disseminate information, and our approach to our responsibilities in dealing with stakeholders in the value chain. The points raised in these discussions were used as a guide in establishing systems and processes to strengthen risk mitigation measures.</p> <p>Collaboration with Various Stakeholders</p> <p>We are actively collaborating with various stakeholders in Japan and abroad in industry, government agencies, international organizations, and academia, with a view to building a framework for an AI society. We also participate in symposiums.</p> <p>Participation in the Digital Transformation (DX) Summit, a G7 Digital and Tech Ministers' Meeting Official Public-Private Event</p> <p>In April 2023, NEC participated in a panel discussion on the theme of "AI and Governance" at the DX Summit held in Shibukawa City, Gunma Prefecture, sponsored by the Ministry of Economy, Trade and Industry and the World Economic Forum. We introduced NEC's approach and initiatives related to the utilization of AI, including generative AI, as well as important aspects for utilization of trustworthy AI.</p>	<p>Participation in GPAI Summit 2022</p> <p>In November 2022 NEC participated in a side event of the GPAI Summit 2022, held in Tokyo, where we introduced our initiatives on the session theme of "Outlook on AI Governance in Japan, Singapore, and the U.K."</p> <p>☑ GPAI Summit 2022</p> <p>Public comment submitted regarding the National Institute of Standards and Technology's AI Risk Management Framework</p> <p>NEC stated our agreement with activities to create a framework for mitigating AI risks throughout the lifecycle, in relation to the AI Risk Management Framework (AI RMF) creation process developed by the National Institute of Standards and Technology (NIST). We also stated our opinion that it is important that such a framework conforms with related international standards, and that a full range of case studies be provided for implementation. The NIST's AI RMF 1.0 was announced in January 2023.</p> <p>☑ 1st Draft Comments (April 29, 2022)</p> <p>☑ 2nd Draft Comments (September 29, 2022)</p>
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Personal Information Protection and Privacy

Policy on Personal Information Protection and Privacy

The NEC Group Code of Conduct stipulates respect for human rights and privacy and the management of personal information, and NEC has positioned “Provision and Utilization of AI with Respect for Human Rights (AI and Human Rights),” including personal information protection initiatives, as a priority management theme from an ESG perspective—materiality. From this perspective, we are tackling prevention of any privacy-related issues stemming from the handling of personal information, in addition to undertaking other personal information protection measures.

Personal Information Protection

In October 2005, NEC Corporation received PrivacyMark certification, recognizing it as a business operator with systems in place to ensure appropriate protection measures for personal information in conformance with Japanese industrial standard JIS Q 15001 (personal information protection management systems—requirements). Since receiving the certification, we have stipulated within the NEC Privacy Policy that personal information must be handled in accordance with JIS Q 15001 standards.

NEC Corporation has also built an implementation framework for personal information protection and a personal information protection management system in compliance with the Act on the Protection of Personal Information and JIS Q 15001. Our personal information protection management system includes the creation of a manual for personal information protection (including personal data safety management measures, a prohibition on secondary use of personal information without prior consent of the person in question, and respect for that person's rights to access, amend, and delete their personal information). Furthermore, we enter into agreements with third parties with which we share data or outsource the handling of data requiring compliance with these standards. Also, we have established escalation rules and emergency response procedures to be followed in the event of incidents such as personal information leaks or mishandling of data.

Each consolidated subsidiary in Japan sets out its personal information protection policies using NEC Corporation's Privacy Policy as the standard. International subsidiaries set their policies to conform with the applicable local laws of their respective countries, and those policies are then checked by NEC.

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

1. Strengthen governance in the fields of data privacy and compliance at consolidated subsidiaries in Japan and abroad
2. Deepen risk management pertaining to the handling of personal information, based on the risk ownership of general managers

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Strengthen governance in the fields of data privacy and compliance at consolidated subsidiaries in Japan and abroad
 - Establish the Center of Excellence (CoE) group in the Company's Risk and Compliance Departments to supervise data compliance at international subsidiaries
 - Finish rebuilding personal information protection system and assign Privacy Compliance Supervisors to international subsidiaries that handle high-risk personal information in accordance with the personal information protection guidelines for international consolidated subsidiaries
 - Implement training and education for Privacy Compliance Supervisors assigned to international consolidated subsidiaries
 - Expand the number of subsidiaries based in Japan that have assigned Personal Information Protection Administrators and Personal Information Protection Professionals, and that have introduced the new personal information protection management ledger system
2. Deepen risk management pertaining to the handling of personal information, based on the risk ownership of general managers
 - Continue the training and education of Personal Information Protection Administrators and Personal Information Protection Professionals assigned to all business divisions

Progress, Achievements and Issues

1. Strengthen governance in the fields of data privacy and compliance at consolidated subsidiaries in Japan and abroad
 - Established the Center of Excellence (CoE) group in the Company's Risk and Compliance Departments at the head office to supervise data compliance at international subsidiaries
 - Finished rebuilding the personal information protection system and assigned Privacy Compliance Supervisors to international subsidiaries that handle high-risk personal information in accordance with personal information protection guidelines for international consolidated subsidiaries
 - Implemented training and education for Privacy Compliance Supervisors assigned to international consolidated subsidiaries
 - Assigned Personal Information Protection Administrators and Personal Information Protection Professionals, and completed introduction of the new personal information protection management ledger system at five domestic subsidiaries
2. Deepen risk management pertaining to the handling of personal information, based on the risk ownership of general managers
 - Implemented the following training and education programs throughout the year for Personal Information Protection Administrators and Personal Information Protection Professionals in all business divisions:
 - (1) Basic course on personal information protection, including human rights and privacy education
 - (2) Guidance through individual consultations
 - (3) Basic course on the EU's General Data Protection Regulation (GDPR)
 - (4) Courses to acquire certifications in personal information protection

FY2024 Goals

1. Strengthen governance in the fields of data privacy and compliance at consolidated subsidiaries in Japan and abroad
 - Introduce new personal information protection management ledger system at major international consolidated subsidiaries
 - Continue to implement training and education for Privacy Compliance Supervisors assigned to international consolidated subsidiaries
 - Continue to implement training for employees at international consolidated subsidiaries
 - Assign Personal Information Protection Administrators and Personal Information Protection Professionals, and complete introduction of the new personal information protection management ledger system at major subsidiaries in Japan
2. Deepen risk management pertaining to the handling of personal information, based on the risk ownership of general managers
 - Continue the training and education of Personal Information Protection Administrators and Personal Information Protection Professionals assigned to all business divisions

Personal Information Protection and Privacy

System for Personal Information Protection and Privacy

At NEC Corporation, the head of the department responsible for protecting personal information serves as the Personal Information Protection Administrator, the person in charge of implementing the personal information protection management system. This person is also responsible for protecting specific personal information related to the Social Security and Tax Number System.

The Risk and Compliance Departments play a central part in promoting the protection of personal information within the NEC Group under the leadership of the head of the Personal Information Protection Promotion Bureau appointed by the Personal Information Protection Administrator.

In addition, the Chief Personal Information Protection Auditor is assigned to the Group's Corporate Auditing Bureau to conduct regular audits of privacy protection in conformance with JIS Q 15001.

The general managers of each business division are responsible for directing personal information protection in their respective divisions. Each appoints a division personal information protection manager, who is responsible for carrying out personal information protection management for the division, and a personal information protection professional, who possesses expert insight regarding personal information protection. The personal information protection management system operates through each division inspecting the status of personal information handling to identify risks, including human rights and privacy issues, and improving handling rules based on the inspection results.

The person responsible for each project ensures that persons who handle personal information undertake thorough personal information protection measures.

Implementation Framework for Personal Information Protection

Consolidated Subsidiary Management Framework

At our consolidated subsidiaries in Japan, we have built systems to comply with the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (also known as the My Number Act), which is related to the numbers used to identify individual residents of Japan for administrative procedures. We have also built personal information protection management systems to conform with JIS Q 15001, which is a PrivacyMark requirement, to match those which were built for NEC Corporation, and we use these systems to promote the protection of personal information. Furthermore, 15 consolidated subsidiaries in Japan have acquired PrivacyMark certification as of March 31, 2023.

At our consolidated international subsidiaries, we are tackling compliance with the laws and regulations in each jurisdiction as a matter of course, and we have appointed a Privacy Compliance Supervisor at each of our major subsidiaries to promote the protection of personal information.

Management of Personal Information

Internal Measures (Including the Establishment of Regulations for Personal Information Protection)

- NEC Corporation runs the Personal Identifiable Information Control System, a ledger-based system to manage personal information and make its management more transparent. We have documented standard procedures and operate a personal information protection management system at NEC Corporation and its consolidated subsidiaries in Japan. Also, as necessary, operational rules are created at the individual company and division level and by type of personal information and are rigorously enforced.
- To raise awareness of personal information protection and information security in general, the Basic Rules for Handling Customer-Related Work and Trade Secrets have been established, and NEC Corporation rigorously informs all employees about these rules.
- We have not received any claims or complaints regarding invasion of the privacy of customers from any third party organizations, including Japan's Ministry of Economy, Trade and Industry, which is the ministry overseeing personal information protection, and the Personal Information Protection Commission of Japan.

Personal Information Management Initiatives Abroad

- We appoint Privacy Compliance Supervisors at our consolidated international subsidiaries to maintain a global management framework. At the same time, we create personal information management ledgers at each subsidiary to have an understanding of the information being handled by each company and the risks involved. We also work to ensure that the procedures to manage these risks, as well as common safety measures that need to be observed, are disseminated thoroughly.
- We also ensure that consolidated international subsidiaries implement personal information management rules that comply with personal information protection laws and regulations in the country or region in question, as well as any applicable laws and regulations from outside the country or region in question. In addition, NEC Group companies obtain individual consent based on the laws and regulations in each country or region to facilitate any cross-border transfer of personal information for employees or otherwise and enter into any required data transfer contracts to enable cross-border transfer of personal data between Group companies in Japan and abroad and processing of personal data.

Measures for Customers and Business Partners

- NEC Corporation and its consolidated subsidiaries in Japan establish data protection standards (such as personal data safety management measures) for contractors that handle personal information, enter into agreements with contractors with which data is shared requiring compliance with these standards, and require contractors to conduct privacy management equivalent to that of the NEC Group.
- We request the contractors engaged in work for NEC Corporation or its consolidated subsidiaries in Japan to submit a pledge on the Basic Rules for Customer-Related Work and to have their employees take an online test to verify their knowledge. These steps help ensure rigorous management of personal information.

- We make sure to handle My Number data carefully and securely, as it is classed as Specific Personal Information in compliance with personal information protection laws in Japan. We deploy technical measures such as controlling access, blocking unauthorized external access, and preventing information leaks, while moving forward with initiatives to maintain sufficient privacy protection levels in each system.

Information Security and Cyber Security

Personal Information Protection and Privacy

Management of Personal Information

Monitoring and Improvement		
GRI 418-1	NEC Corporation appropriately manages personal information by executing plan–do–check–act (PDCA) cycles on an autonomous basis through various inspection activities.	
	Also, NEC Corporation and its consolidated subsidiaries in Japan conduct regular internal audits based on internal audit check items stipulated in JIS Q 15001. Furthermore, for operations related to the handling of My Number data, we use security control measure check sheets prepared based on Japan’s guidelines for the My Number Act and self-check sheets during re-entrustment in order to monitor divisions and subcontractors handling My Number data.	
	<div><div><div>Verification of the Operation of Information Security Measures</div><div><ul style="list-style-type: none">• The implementation status of security measures carried out by all employees is verified once a year. If there are cases of non-compliance, improvement plans are formulated and carried out at the organization level.</div></div><div><div>Verification of the Status of Personal Information Management</div><div><ul style="list-style-type: none">• Control forms registered in the Personal Identifiable Information Control System are reviewed at least once a year to confirm the status of personal information management.• In addition, once a year the general managers of each department implement management reviews to confirm the status of personal information management, enabling corrective action to be taken as needed, and to maintain appropriate management conditions.</div></div><div><div>Verification of Operations During Emergencies</div><div><ul style="list-style-type: none">• Operation of the above information security measures is thoroughly reviewed as the need arises, in the event of an incident involving the loss, outflow or leak, etc., of personal information.</div></div></div>	

Details of Personal Information Protection-Related Incidents, Accidents, or Complaints, and Measures Taken

GRI 418-1	In fiscal 2023, there were no incidents involving the loss, outflow or leak, etc., of personal information at NEC, and no incidents involving secondary use of personal information without prior consent of the person in question.	The number of external complaints regarding personal information in fiscal 2023 was zero.
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Response to Requests from National Governments for Personal Information Provision

If NEC Corporation’s business divisions are requested by a government or law enforcement agency of a country to provide personal information that the Company holds, the general manager of the division that receives the request reports to and consults with the Personal Information Protection Administrator as necessary. In such cases, the Personal Information Protection Administrator reports to and consults with the executive officer in charge of personal information protection and management. Premised upon respect for the human rights of the person in question, the Company will then determine the necessity of providing such information and undertake the appropriate procedures and measures pursuant to the applicable laws.		
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Personal Information Protection Training and Awareness-Raising

	Training for All Officers and Employees (NEC Corporation) The Company conducts web-based information security training once a year. (Completion rate of Companywide training in fiscal 2023: 98%)		<ul style="list-style-type: none">• Held course for dealing with the Act in practice (12 times)• Held basic course on the EU’s General Data Protection Regulation										
	Education for Personal Information Protection Professionals (NEC Corporation, All Divisions) <ul style="list-style-type: none">• Textbooks have been prepared on risk management in the handling of personal information, in addition to education through 16 lectures.• Courses aimed at acquiring personal information protection qualifications		Training for Newly Hired Employees and Transferred Employees (NEC Corporation and its Consolidated Subsidiaries in Japan) <ul style="list-style-type: none">• In fiscal 2023, created a textbook on personal information protection as an introductory training material; used textbook to train newly hired and transferred employees• When there is a request from a department, or when it is otherwise deemed necessary by the Personal Information Protection Promotion Bureau, awareness training is conducted as appropriate at individual departments or consolidated subsidiaries in Japan.										
	<table><tr><th></th><th>FY2020</th><th>FY2021</th><th>FY2022</th><th>FY2023</th></tr><tr><td>Completion rate for information security training, including personal information protection</td><td>98.0%</td><td>98.0%</td><td>98.0%</td><td>98.0%</td></tr></table>					FY2020	FY2021	FY2022	FY2023	Completion rate for information security training, including personal information protection	98.0%	98.0%	98.0%
	FY2020	FY2021	FY2022	FY2023									
Completion rate for information security training, including personal information protection	98.0%	98.0%	98.0%	98.0%									

Personal Information Protection and Privacy

Privacy in Business Activities

The General Data Protection Regulation (GDPR), which came into effect in the European Economic Area in 2018, is one example of the privacy protection laws and regulations currently being established in several countries and regions. As enforcement of these laws and regulations becomes more stringent, the roles and responsibilities placed on companies to protect privacy are increasing.

NEC Corporation aims to maximize social value and minimize the negative impact on society by developing and providing products and services with consideration for privacy issues, which may be perceived differently depending on the country, region or culture, and also with consideration for discrimination and other human rights issues that could be exacerbated with the use of AI. To clarify our stance, the NEC Group Code of Conduct and NEC Group AI and Human Rights Principles stipulate that business activities aimed at resolving social issues using ICT must not give rise to human rights issues, including invasion of privacy.

NEC Corporation acquired PrivacyMark certification in October 2005 and subsequently renewed it for the ninth time in October 2021. As of the end of March 2022, NEC Corporation and its 31 affiliated companies have obtained this certification. In principle, we forbid acquiring information that could have an economic impact such as bank account or credit card numbers, sensitive information such as one's birthplace, or highly private information such as mobile telephone numbers without the prior consent of the person in question.

[Respecting Human Rights](#)

[AI and Human Rights](#)

[NEC Privacy Policy](#)



NEC Group AI and Human Rights Principles



Response in an Emergency Such as Leakage of Personal Information

NEC maintains systems for responding swiftly if an incident occurs involving the loss, outflow or leak, etc., of personal information. If an incident should occur, the response is coordinated quickly and systematically based on standardized procedures. Specifically, if an incident occurs related to personal information or an event takes place for which the occurrence of such an incident is a possibility, the discoverer or the employee involved in the incident contacts their manager and the NEC Group contact desk for information security incidents.

The person at the contact desk then coordinates the necessary response with the related divisions that make up the Personal Information Protection Promotion Bureau and relevant divisions in accordance with applicable laws, ordinances, ministry guidelines, and other regulations, taking into account the risk for infringing on the rights and interests of the people involved. These responses may include promptly notifying the people involved, making a public announcement, and taking corrective measures appropriate to the incident.

Customer Relationship Management

Customer Relationship Management Policy

In keeping with the spirit of “Better Products, Better Services” embedded in our Principles, in 1992 NEC formulated its “Customer Satisfaction Management (CSM) concept.” The CSM concept consists of “Significance,” “Activity System,” “Goal,” and “CS Action Plan.”

CSM Concept

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

Continue to be customers’ company of choice by earning their unwavering trust

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Continue to engage in activities to improve customer satisfaction based on the voice of the customer (VoC) and in keeping with the characteristics of each business
2. Achieve a result for the Customer Satisfaction Survey higher than the industry average (average of “Total satisfaction”) in market surveys conducted by NEC Corporation

Progress, Achievements and Issues

1. Continued to make improvements based on the VoC and in keeping with the characteristics of each business
2. Achieved a result for the Customer Satisfaction Survey higher than the industry average (average of “Total satisfaction”) in market surveys

FY2024 Goals

1. Continue to engage in activities to improve customer engagement based on the VoC and in keeping with the characteristics of each business
2. Achieve a result for the Customer Satisfaction Survey higher than the industry average (average of “Total satisfaction”) in market surveys conducted by NEC Corporation

Customer Relationship Management System

NEC continuously seeks customer feedback from various points of contact and promptly reflects it in business management. As part of these efforts, we conduct the biannual NEC Customer Questionnaire.

The results of this survey, together with the details of market surveys, are reported to top management members. Furthermore, we share the findings with specific businesses’ operating divisions/units in related fields and proceed through PDCA cycles aimed at improving customer engagement. In addition, the CS Promotion Division at each Group company shares information with one another on a regular basis in an effort to improve activities across the entire Group.

Customer Satisfaction

Measures for Increasing Customer Engagement

Advancing Activities Based on Customer Feedback

NEC ensures that customers’ opinions about the Company are communicated correctly internally so that issues can be resolved to meet their expectations. In fiscal 2023, the results of statistical engagement evaluations and analysis of comments and answers by customers from the biannual NEC Customer Questionnaire were applied to relevant business areas such as sales divisions. The same feedback was also provided broadly to product divisions. In addition to providing VoC to the product divisions, we also started to confirm customer feedback via employees, enabling us to grasp their opinion of NEC products indirectly. These activities will help to make even more improvements to our products and services.

Remaining the First Choice of Customers

To create lasting relationships with our existing customers, in fiscal 2023 we continued building systems that will enable effective use of knowledge to increase our proposal capabilities and response speed to meet our customers’ strong expectations. Specifically, we increased our proposal capabilities in the DX field, where we saw particularly strong interest from customers in the NEC Customer Questionnaire, and worked to meet their expectations by running an internal education program for employees (DX Academia) throughout the year. The program was attended by over 30,000 employees, mainly from the sales division.

Customer Relationship Management

Response to Customer Complaints and Feedback		
	<p>To facilitate communication with customers, various types of contact desks have been provided for individual and corporate customers and for each type of product. Through these, we consult with customers and listen to their feedback and requests. Moreover, the NEC Customer Communication Center ("CCC") has been established as a general contact desk in Japan to provide consultation on NEC products, systems and services.</p>	<p>We also provide an inquiry form on the NEC global website to enable customers abroad to consult with us by email.</p> <p>NEC's Customer Satisfaction Enhancement Activities</p> <p>Contact Desk</p>

Advertising and PR Activities		
Responsible Advertising and PR Activities		
	<p>In our advertising and PR activities, we observe laws and regulations and have prepared various guidelines, such as the "NEC Visual Identity Guidelines," the "NEC Group Advertising Activity Guidelines," and the "NEC Group Website Guidelines," detailing points of caution in relation to design, accessibility, and production. We are also making an effort to employ fair and appropriate language and expressions; in fact, we began disseminating our Social Media Policy externally well before the spread of social media.</p>	<p>NEC Group Social Media Policy</p>

Violations in Advertising and PR Activities		
GRI 406-1 417-3	<p>If there is a violation or potential violation in our advertising and PR activities, we deal with it appropriately according to the guidance of the relevant government agency.</p> <p>In fiscal 2023, there were no incidents of non-compliance concerning marketing and communications.</p>	

Quality and Safety

Quality and Safety Policy

To realize our founding philosophy of “Better Products, Better Services,” we have implemented a steady stream of initiatives aimed at improving quality. These include the introduction of quality control, ZD Activities,¹ the quality-operation strategy² and Software Quality Control (SWQC).

As a Social Value Innovator, we hope that all employees will continue to improve the quality of their own work, the products they create and the services they provide, and that customers will favor NEC as the provider of trusted “NEC Quality.”

Specifically, we have set up the Quality and Safety Action Policy, and we are conducting activities such as complying with product and service quality and safety laws and regulations, improving safe, reliable technologies, standardizing key components, sharing expertise and taking steps to prevent defects and recurring issues.

1. ZD (Zero Defects) Activities: Designed to stimulate each employee's autonomy and passion to eliminate defects from their work through creative thinking, cost reductions, and improvements in quality and service
2. An initiative to achieve Companywide improvement in the 7 Qs denoting quality in 1) management, 2) products and services, 3) human behavior, 4) workplace environment, 5) relationships with the local community, 6) business results, and 7) corporate image

Quality and Safety Philosophy and Action Guidelines

Throughout the Company, construction work is stringently managed to ensure compliance with the Construction Industry Act, the Industrial Safety and Health Act and other laws. In addition, our philosophy is to advance OH&S and ensure that we provide customers with social value by establishing a compliance and OH&S culture at construction sites. With this in mind, we have set out the following action guidelines.

Construction Work Health and Safety: Action Guidelines

Quality and Safety Framework

GRI
403-7
416-1

Quality and Safety Implementation Framework and Quality and Safety Risk Management Framework

One of our most important management issues is how to ensure the quality and safety of our products, system and services and deal with related risks.

NEC is working to clarify our system of activities by defining Companywide rules and standard operating procedures, and to improve quality and safety. This effort is headed by the Environment and Total Quality Management Departments, the quality promotion organizations established at business units and at consolidated subsidiaries, and the quality/safety management officers appointed in each business department and at consolidated subsidiaries under the business units.

In regard to risk management related to quality and safety, we have built a Companywide framework and ensure that it is thoroughly implemented. If a customer's system or a system with significant social impact were to experience a serious issue, or a major product incident or infringement of technology laws and regulations were to occur, the matter would be promptly escalated to management. The business department in charge and specialist staff would confer and reach a swift decision on how the customer should be treated, the response to the relevant local/regional authority, and whatever other PR measures might be appropriate. Prompt consultations are made in order to determine the most appropriate Companywide policy for the matter in question.

Ensuring the Soundness of Construction Work

As a Social Value Innovator, NEC garners trust and contributes to realizing a better society by ensuring the health and safety of workers through safe construction initiatives that comply with relevant laws and regulations, such as safely installing NEC-developed products and systems.

With the mindset that health and safety take priority in all work, including health management, not just for construction workers but for all NEC employees and related workers, we deliver outstanding technology and continue to enhance the safety of our installation procedures in compliance with relevant laws and regulations to ensure the soundness of construction work. In these ways, we are working to build an abundantly safe society that offers peace of mind.

System for Compliance and OH&S in Construction Work (in Japan)

Quality Management System

Today, as society's focus shifts from manufacturing physical products to creating intangible services, quality controls are also changing. At NEC, we have created quality management systems that we implement to realize high-quality products and services that satisfy customers' demands and expectations. In line with our basic stance that “quality is built in through processes,” we aim to make continuous improvements to make our processes even better.

Pre-project Assessment

Before embarking upon a new project, we identify the risks involved in executing it and check that sufficient risk countermeasures are in place. The assessment is multifaceted, covering aspects such as technological risks and safety risks related to quality as well as the development scale and timeframe and the project framework.

Quality Assurance Guidelines for Machine Learning-based Artificial Intelligence

The past few years have seen the proliferation of systems and services that use artificial intelligence (AI). However, the process AI models use to create and output the results of their analysis can be difficult for humans to interpret, and conventional software quality assurance guidelines alone may not be sufficient. Accordingly, in April 2019 NEC addressed this issue by formulating Guidelines to Quality Assurance for Machine Learning-based Artificial Intelligence, designed to ensure the quality of AI systems that cannot be handled using conventional software quality assurance alone. We have applied these guidelines to the design and development of important AI systems. We continue to make updates to the guidelines on a regular basis, and the latest version aims for increased sophistication with improvements to AI security and coordination with checklists related to AI and human rights.

Medical and Healthcare Fields

NEC Ethical Review Committee for the Life Sciences

When acquiring people or information and data related to people for trial experiments and research, we follow guidelines and hold deliberations on appropriate ethics related to issues including the aims of the research and consideration for the human rights and dignity of the subjects in the NEC Ethical Review Committee for the Life Sciences.

Initiatives to ensure transparency in relationships with medical institutions

NEC works to ensure the transparency and soundness of its relationships with medical institutions, with a view to gaining a wider understanding of the medical device industry's contribution to the development of life sciences as well as the high ethical standards that companies in that industry adhere to in conducting their corporate activities.

Initiatives in the medical and healthcare fields

We have been establishing a management framework and moving forward with Quality Management System activities and compliance with relevant laws and regulations, with the aim of establishing commercial businesses in the medical and healthcare fields.

Quality and Safety

Quality and Safety

Thorough Compliance for Quality and Safety

<p>GRI 417-1 417-2</p>	<p>Compliance with Relevant Laws and Regulations</p> <p>To visualize the technical laws and regulations with which NEC products must comply, NEC has developed a “map of technical laws and regulations” to make it easier to identify what kind of laws and regulations are applied to which departments’ products. By using this map, we strive to closely comply with laws and regulations in Japan, including the Electrical Appliances and Materials Safety Act, Radio Act and Telecommunications Business Act, and with laws and regulations in various other countries related to our products for international markets.</p> <p>NEC is enforcing compliance with relevant acts and internal rules for instructions and labeling related to the quality and safety of its products and services. If violations are found or suspected, NEC will properly address the problem by following the direction of the relevant ministries and agencies.</p> <p>We also keep up-to-date knowledge of technology laws and regulations in advanced technology and new business domains, and check on the status of appropriate implementation of quality management systems through quality audits.</p>	<p>Ensuring Product Safety</p> <p>NEC complies with the international standards IEC 60950-1 (JIS C 6950-1) and IEC 62368-1 (JIS C 62368-1) as a matter of course. In addition, we have established our own Group safety standards to reinforce these standards, and we also perform risk assessments to ensure product safety.</p> <p>If product safety issues arise, we provide information on the NEC website and swiftly notify our customers.</p> <p><u>Important Notices from NEC (Japanese only)</u></p>
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Training and Awareness Raising on Quality and Safety

	<p>We believe that developing human resources and improving their skills are extremely important measures to improve the safety and quality of our products.</p> <p>Developing Personnel Who Realize Safety and Security</p> <ul style="list-style-type: none"> • NEC conducts training programs for specific jobs and fields of specialization with the aims of improving practical design and construction skills and providing basic and specialist knowledge on quality and safety management standards as well as technical standards. • For example, we provide rigorous education on technology laws and regulations, such as the Radio Act and the Telecommunications Business Act, which are needed for operating telecommunications businesses, and develop engineers by fostering a correct understanding of laws and regulations and a safety-oriented mindset. <p>Project Management Award</p> <ul style="list-style-type: none"> • NEC holds an annual presentation of outstanding cases and presents a Project Management Award to the organization or group that demonstrated the most beneficial project support, or the project team that tackled a difficult project and achieved a particularly outstanding result. 	<ul style="list-style-type: none"> • The intent of the Project Management Award is to raise awareness of the importance of project management among all NEC Group employees and to demonstrate the significance of challenging high-risk projects, accomplishment and recovering from setbacks. • NEC also recognizes that increasing awareness of award-winning cases throughout the Group helps to prevent risks from materializing in new projects through the horizontal spread of risk management best practice. <p>Increasing Awareness of Quality through “Quality Month” Activities</p> <ul style="list-style-type: none"> • In November, which we have designated “Quality Month,” members of senior management and experts from inside and outside the Company conduct seminars and dialogues aimed at ensuring that employees are always highly conscious of quality and safety as they work. • In fiscal 2023, we raised employees’ awareness of quality assurance activities by conducting education on quality risk management, quality issues (such as fraud and noncompliance), and quality management.
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Construction Work Project Management

	<p>We strive to prevent occupational injuries and to improve health and safety standards through our Occupational Health and Safety Management System. In particular, using our construction work project management system, we have achieved 100% implementation of risk assessments and fixed-term Industrial Accident Compensation Insurance. There were no serious occupational accidents in fiscal 2023.</p>
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Corporate Citizenship Activities

Policy on Corporate Citizenship Activities

As stated in our Purpose, NEC has committed itself to creation of the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

Guided by this concept, each member of NEC, from directors to employees, acts as a good corporate citizen by carrying out NEC Make-a-Difference Drive corporate citizenship activities aimed at resolving social issues over the medium to long term.

Through these activities, we work with local communities, NPOs and NGOs, local governments and universities, among other entities, to promote "Life," "Society," and the "Environment," the three layers of our vision for an ideal society, laid out in the NEC 2030VISION. NEC recognizes that local communities are responsible for, or otherwise play a leading role in, solving social issues, and that sustainable local communities enable business activities to be carried out in those areas. As members of communities, we want to support them in achieving the necessary solutions.

This thinking is also connected to "coexistence with local communities" in the NEC Group Code of Conduct. In addition, NEC has positioned the NEC Make-a-Difference Drive as one of the foundations of its efforts to promote diverse human resource development, which is one of the Company's priority management themes from an ESG perspective—materiality. Through the NEC Make-a-Difference Drive, officers and employees engage in dialogue and co-creation with various stakeholders, such as local communities and the social sector. This provides them with occasions and opportunities to experience social issues that merit NEC's attention as a Social Value Innovator.

We believe that through these occasions and opportunities, employees acquire a mindset for volunteerism and co-creation, enabling them as highly socially literate personnel to sensitively grasp the true nature of issues facing customers and society so that they can play a leading role in creating businesses inspired by social issues. The social contribution programs and collaborating NPOs under the NEC Make-a-Difference Drive are selected based on the following policies and guidelines.

Basic Policy of Social Contribution Program Creation

Guidelines for Coordination with NPOs

Furthermore, we have established an evaluation system for social contribution programs, and we regularly confirm their social impact and promote program improvements and revisions.

Social Contribution Program Assessment System



Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

1. Expand range of corporate citizenship (Aim for 10,000 new registrants with the NEC Volunteer Support Service database by FY2026)

2. Utilize corporate citizenship as a launching point for social value creation

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Expand range of corporate citizenship
 - Increase the number of new employees registered for the NEC Volunteer Support Service (a database of employee volunteers) by 1,500 people per year
 - Officially launch the new NEC Future Creation Program (SDGs training program for the next generation)

2. Utilize corporate citizenship as a launching point for social value creation
 - Create new businesses and strengthen cooperation with local communities beginning with corporate citizenship initiatives such as the NEC Social Entrepreneurship School and the NEC Pro Bono Initiative

Progress, Achievements and Issues

1. Expand range of corporate citizenship
 - NEC has created various opportunities, mainly online, for all employees in Japan to easily and proactively participate. As a result, the number of newly registered employees for the NEC Volunteer Support Service increased sharply, by 1,500 people in a year
Total number of newly registered employees: 7,376
 - Steady start of the NEC Future Creation Program

2. Utilize corporate citizenship as a launching point for social value creation
 - Started business collaboration between NEC Karada Care, a healthcare service trial project by NEC, and BANSO-CO, Inc., a company founded by NEC Social Entrepreneurship School graduates
 - Entered into a comprehensive cooperation agreement with Itabashi City (Tokyo Metropolitan Area) regarding next-generation education. The aims of the project are to conduct investigative research and trials in order to implement ICT education and create new education services for the next generation

FY2024 Goals

1. Expand range of corporate citizenship
 - Increase the number of new employees registered for the NEC Volunteer Support Service (a database of employees with high social awareness) by 1,200 people per year

2. Utilize corporate citizenship as a launching point for new business creation, support business activities and forge relationships with local communities (reach comprehensive cooperation agreements, etc.)

Corporate Citizenship Activity Framework

NEC's corporate citizenship activities are conducted under three main implementation frameworks:

- Social contribution programs planned and executed under the initiative of the Corporate Promotion Group of the NEC Corporate Communications Department and the department in charge of promoting corporate citizenship activities of each NEC Group company;

- Activities for contributing to local communities planned and participated in by NEC Group employees around the world; and
- Various grants from foundations

Corporate Citizenship Activities

Key Areas of Corporate Citizenship Activities

GRI
413-1**Earthquake Relief Support for Türkiye and Syria**

The NEC Group donated 10 million yen to help people and areas affected by the earthquakes, through the Embassy of the Republic of Türkiye in Tokyo. In addition, NEC Group companies around the world make donations, via methods including online donation or through the “cafeteria points” system, to organizations such as the World Food Programme and the Red Cross.

NEC Pledges Support for Earthquake Relief Efforts in Türkiye and Syria**NEC Social Entrepreneurship School**

In fiscal 2003, we began the NEC Social Entrepreneurship School, a project for nurturing young social entrepreneurs that we launched in cooperation with the NPO ETIC. As of fiscal 2023, 70 groups have graduated from the school. The project has been called a gateway for the success of social innovators because of the large number of celebrated young social innovators that it has produced.

In February 2023, the NEC Social Entrepreneurship School invited the NPO ETIC and young social entrepreneurs (alumni) to take part in a special program, involving a special dialogue on the theme of “What is Social Value Creation through ‘Co-Creation’?—Case Studies in Agriculture and Healthcare.” The special program aims to encourage employees to interact directly with active entrepreneurs who are leading social innovation. This enabled them to (1) discover and learn about social issues as an individual employee, (2) foster an entrepreneurial spirit, and (3) renew their understanding of the importance of co-creation to achieve the previous points, in order to realize the goal of social value creation as part of NEC’s Purpose.

About 400 employees, who are either currently engaged in solving social issues or intending to tackle them, participated in the program.

The following two social entrepreneurs explained social issues that they are tackling, before discussing the importance of co-creation in resolving those issues.

Participating social entrepreneurs:

Kunihiko Ono, SAKA NO TOCHU Co., Ltd. (graduated in fiscal 2010)
Satomi Doi and Aya Isumi, BANSO-CO, Inc. (graduated in fiscal 2022)

BANSO-CO, Inc. and NEC Karada Care, a healthcare service trial project run by NEC, started a business collaboration in June 2022. This collaboration between BANSO-CO, which deals with mental healthcare, and NEC Karada Care, which handles physical healthcare, aims to realize provision of more efficient and effective total healthcare services.

NEC Social Entrepreneurship School**NEC Pro Bono Initiative**

In fiscal 2011, NEC introduced the NEC Pro Bono Initiative, a program that helps NPOs and social entrepreneurs address their target issues with assistance from the professional skills of NEC employees. In doing so, NEC became the first Japanese company to start pro bono activities. In fiscal 2023, we conducted joint activities with the Tokyo Metropolitan Government, Kawasaki City (Kanagawa Prefecture) and the Japan Network for Public Interest Activities (JANPIA), a Designated Utilization Organization for the utilization of funds from dormant accounts, as pro bono partners.

- In our partnership with the Tokyo Metropolitan Government, in July 2021 we entered into an agreement regarding technical support for lessons on the use of digital technology in public elementary and junior high schools in the metropolitan area. This initiative led to NEC and Itabashi City entering into a comprehensive cooperation agreement in September 2022 regarding next-generation education, which has included running an internet safety and security class for elementary school students called e-Net Caravan. Employees volunteered to participate in the lessons, with the aim of identifying issues and needs in the education space and conducting investigative research and trial projects in order to create new education services.
- In our partnership with Kawasaki City, the Kawasaki City Social Welfare Council, Toko Gakuen High School (Kawasaki City) students and employee volunteers from the NEC Pro Bono Club planned events for distributing food and daily necessities collected through donations to households struggling during the COVID-19 pandemic. The events were held at NEC’s Tamagawa Office in May 2022 and March 2023, and were attended by a total of 310 people from 150 households.

- In our partnership with JANPIA, employee volunteers from the NEC Pro Bono Club participated in pro bono activities for the Sumiyoshi Area RINPO Project Promotion Association (Sumiyoshi Ward, Osaka City), one of the recipients of funds from dormant accounts. This activity involved providing promotional support to raise awareness of the association’s new initiatives (to create a space for local children and a children’s cafeteria) among local residents.

In addition, as a new initiative, in fiscal 2023 NEC collaborated with Osaka Prefectural Toyonaka High School on community co-creation activities through pro bono work. This initiative was part of a comprehensive cooperation agreement that NEC and Toyonaka City (Osaka Prefecture) entered into in 2020, related to next-generation government services that utilize ICT.

In fiscal 2023, NEC’s pro bono work to date was recognized for its continuity, pioneering spirit, and future development potential. NEC received the Grand Prize in the Corporate Volunteer Awards from the Tokyo Council of Social Welfare and the Special Prize in the Kawasaki SDGs Awards from Kawasaki City.

NEC Pro Bono Initiative

Corporate Citizenship Activities

Key Areas of Corporate Citizenship Activities

GRI
413-1

NEC Future Creation Program

In line with the revision of high school curriculum guidelines from fiscal 2023, NEC has developed the NEC Future Creation Program in collaboration with the educational consulting company Careerlink Co., Ltd. This education program, aimed at high school students, draws upon the SDGs as themes to learn about creating an ideal future. It has been implemented at three high schools in Kochi, Saitama, and Fukushima prefectures, with a total of 100 students and 63 employees participating online.

In this program, students take advantage of analysis tools and video content that introduces cases of NEC's contributions to the SDGs while thinking about their own ideal image of the future and coming up with solutions for social issues. Employees will also help these students refine their ideas through dialogue.

In a survey of participating students, 95% responded that their understanding of the SDGs had improved, and 97% responded that their interest in social issues had increased. Furthermore, the students also said in their feedback that they were able to produce better ideas by exchanging opinions with people from different generations, rather than their own generation; that they enjoyed learning about how to exchange opinions by listening to other people's views and widening and expanding the conversation, rather than rejecting them; and that they felt that with so many types of technology available, the potential of IT is infinite.

Meanwhile, the employees who participated in the program reported that engaging in discussion with the high school students helped to broaden their own perspectives; that they also gained insights for new business creation; and that the program helped to deepen their understanding of the Company's initiatives as an employee, and they feel able to give feedback related to their core work area. In fiscal 2024, we plan to expand the program and run it nationwide.

Promoting Employees' Volunteer Activities

- Under the cafeteria-style benefits and welfare system, "Will be," provided two options for using points: "support volunteer activity expenses" and "donate to volunteer groups and areas affected by disasters." These options enable employees to allocate their points to transport expenses for volunteer activities or donations for the Red Cross, UNICEF and other organizations
- Through the NEC Volunteer Support Service (a database of employee volunteers), introduced a range of volunteering opportunities, including online, to promote casual and proactive volunteering activities by employees

- In December and January of each year, the NEC Group promotes collection activities for seven items, including Bellmark symbols from sponsored products, used books and used postcards, as a familiar activity that is easy for employees to participate in.

Collected items are used to support people in disaster affected areas and developing countries through NPOs and other organizations.

Initiatives in Local Communities Worldwide

Through its corporate citizenship activities, NEC works on initiatives to promote inclusion and diversity worldwide and within local communities, and on community support activities to help solve local issues.

Initiatives in Japan

1. e-Net Caravan
 - NEC has implemented e-Net Caravan, which offers awareness-raising activities and guidance for elementary school students (third and fourth grade) through to high school students, as well as for guardians and educational professionals, to teach them how to use the internet safely and securely. This initiative is meant to address the rights of children set out in the Children's Rights and Business Principles developed by Save the Children (NGO), the UN Global Compact, and UNICEF.
 - Nationwide, 300 of our employees currently participate in this initiative as certified instructors.

2. Para-sports promotion activities

To help promote and develop para-sports, we cooperate with various regional stakeholders to collaborate on planning and holding prefectural para-sport competitions and Para University Festivals, as well as supporting Boccia activities.

Global initiatives

Wheelchair tennis

Since 1991, NEC has supported wheelchair tennis tournaments held by the International Tennis Federation, spanning a period of over 30 years, and employees have supported operation of the tournaments.

Wheelchair Tennis Sponsorship

NEC Corporation India's initiatives

In 2021, NEC Corporation India Private Limited received the India CSR Leadership Award in recognition of a series of humanitarian initiatives.

1. "Gift the Warmth Drive"
 - NEC distributed shawls to 1,200 senior citizens living in financial difficulty in rural areas, as a measure against the cold.
 - The Gift the Warmth Drive marked its 12th consecutive year in fiscal 2023.

2. Radhakund Ashram

- Since 2015, through the local community NEC Corporation India has been contributing to the health of the women at a residential facility for 650 widows, called Radhakund Ashram, by distributing nutritious food such as fruit and milk.
- The subsidiary also conducts health checkups twice a week.

3. Collaboration with NGO Krish

- In cooperation with the NGO Krish, the subsidiary supports the education of 350 underprivileged girls at two rural schools so that they can acquire the knowledge, skills, and self-confidence that will help them avoid economic and social insecurity.
- The subsidiary is also working on efforts to protect the environment, create jobs and provide digital infrastructure in rural areas, and promote digitalization in these areas through digital literacy.

NEC Corporation of America's initiatives

1. Collaboration with NPO Catch Up & Read

- NEC Corporation of America has been a partner of Herbert Marcus Elementary School in Dallas, Texas for the past seven years and has developed an instructional program from first to third grade in collaboration with educational NPO Catch Up & Read.
- Many children who attend Herbert Marcus Elementary School come from families suffering from economic hardships or have difficult situations academically, but thanks to the school's six-year program, it has become highly recognized as a breakthrough campus.
- NEC Corporation of America participates in the leadership program at Herbert Marcus Elementary School, where children learn to be leaders by engaging with collaborators from various regions.

2. Collaboration with Haven for Hope

- Haven for Hope in San Antonio, Texas, is the largest homeless support facility in the United States. NEC is cooperating with Haven for Hope to develop initiatives that provide hope and a new start for homeless people.
- Haven for Hope is an innovative facility that provides not only shelter, but also emergency support programs and services for over 1,300 men, women and families every day.
- Together, we work on creating solutions that use technology to strengthen safety and security for homeless people, streamline facility operations, and give homeless people greater self-confidence.

Corporate Citizenship Activities

Social Contribution Activity Expenses

GRI
203-1

In fiscal 2023, total corporate citizenship activity expenses for the NEC Group were approximately 697 million yen. We promoted activities in a variety of fields, including "Academia, Research, and Education" and "Arts, Culture, and Sports." Corporate citizenship activity expenses included the following: 1) financial assistance, 2) charitable donations of products quoted on a unit price basis, and 3) public use of NEC facilities (converted into monetary amounts based on the unit price of using equivalent external facilities to quantify the cost of using NEC facilities for socially beneficial purposes).

Fiscal 2023 Activity Expenses Breakdown

The fields of activity used in the expenses breakdown below correspond to the fields of activity used in surveys of social contribution activities conducted by the Japan Business Federation.

		FY2020	FY2021	FY2022	FY2023
Consolidated expenditure of social contribution (million yen)	Total	493	336	444	697
	Cash contributions including political donations	467	320	405	685
	Use of Company premises / Contributions of products and equipment	10	10	30	3
	Volunteer hours and others	16	5	9	9

	Academia, research and education	Arts, culture and sports	Disaster prevention/ Town planning and crime and prevention	Social welfare	Environment	Others	Total
By field (%)	70.3%	13.0%	1.9%	5.6%	2.1%	7.1%	100%

	FY2020	FY2021	FY2022	FY2023
Management overheads of social contribution activities (million yen)	0	0	27	32

Measuring the Effectiveness of our Corporate Citizenship Activities

		FY2023
NEC Social Entrepreneurship School	Number of NEC Social Entrepreneurship School graduates	70 organizations
	Business continuation rate among graduates	80%
	Average growth rate of business scale	Approximately 300%
	Number of organizations that have had an impact on national or local government policy and businesses (among the 50 organizations who had graduated by fiscal 2020)	17 organizations (at the national level) 31 organizations (at the local government level)
	Ratio of organizations with experience in transferring their know-how and business model to other regions and organizations (among the 50 organizations who had graduated by fiscal 2020)	45%
NEC Pro Bono Initiative	Number of participating employees	1,653
e-Net Caravan	Number of lessons conducted at elementary and junior high schools, etc. nationwide	633

Corporate Governance

Basic Views on Corporate Governance

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC Corporation (the “Company”) is committed to strengthening its corporate governance practices in terms of both oversight and execution through the following basic policies:

1. Assurance of transparent and sound management;
2. Realization of prompt decision-making and business execution;
3. Clarification of accountability; and
4. Timely, appropriate and fair disclosure of information.

 NEC Corporate Governance Guidelines

Corporate Governance System

GRI
2-9
2-10
2-11
405-1

The Company has adopted the structure of a “company with a Nominating Committee, etc.” By clearly separating the oversight and execution functions, the Board of Directors strengthens its oversight function, while delegating substantial authority to executive officers to accelerate decision-making and business execution. In line with this, the Company also promotes strengthening governance on the execution side. Details are available in the Company’s Corporate Governance Report.

 Corporate Governance Report

Corporate Governance System

Board of Directors (Oversight)

The Board of Directors is responsible for overseeing the execution of duties by directors and executive officers as well as guiding the direction of management through deliberation of important matters related to the Company’s basic management policy.

Number of directors ¹ (Of whom, the number of executing persons ²)	2020	2021	2022	2023
(As of July 1, 2023, and as of June 30 for every other fiscal year)				
Total	11 (5)	12 (5)	10 (4)	12 (3)
Male	10 (5)	10 (5)	8 (4)	10 (3)
Female	1 (0)	2 (0)	2 (0)	2 (0)

Number of outside directors (ratio) ³	2020	2021	2022	2023
(As of June 30 of each fiscal year)				
Total	5 (45.5%)	6 (50.0%)	5 (50.0%)	7 (58.3%)
Of whom, the number of independent directors (ratio) ³	4 (36.4%)	5 (41.7%)	5 (50.0%)	7 (58.3%)

Number of non-Japanese directors (ratio) ³	2020	2021	2022	2023
(As of June 30 of each fiscal year)				
Total	0	1 (8.3%)	1 (10.0%)	1 (8.3%)
Male	0	0	0	0
Female	0	1	1	1

Executive Officers (Execution)

Executive officers execute Company business delegated to them by the Board of Directors.

Number of executive officers	2023
(As of July 1)	
Total	21
Male	19
Female	2

Number of executive officers and corporate officers who are corporate SVP or above ⁴ (Of whom, non-Japanese officers)	2020	2021	2022	2023
			As of June 30	As of July 1
(As of April 1 of each year, unless otherwise noted)				
Total	44 (0)	45 (0)	43 (0)	42 (0)
Male	44 (0)	45 (0)	41 (0)	40 (0)
Female	0 (0)	0 (0)	2 (0)	2 (0)

Audit & Supervisory Board Members (KANSAYAKU)

(As a result of the transition to a company with a Nominating Committee, etc., the Company no longer has Audit & supervisory board members (KANSAYAKU) after the Ordinary General Meeting of Shareholders of the Company held in June 2023)

Number of Audit & Supervisory Board members (KANSAYAKU) (Of whom, non-Japanese members) ¹	2020	2021	2022	2023
				As of April 1
(As of June 30 of each fiscal year, unless otherwise noted)				
Total	5 (0)	5 (0)	5 (0)	5 (0)
Male	4 (0)	4 (0)	4 (0)	4 (0)
Female	1 (0)	1 (0)	1 (0)	1 (0)

1. Numbers for 2020 through 2022 are the same as for April 1 of the following year, as there were no appointments or dismissals during the term of office.

2. Number of corporate officers through 2022. Number of executive officers from 2023.

3. Ratio of directors.

4. Number of executive directors, corporate SEVPs, corporate EVPs, corporate SVPs as of April 1, 2023. Number of executive officers, corporate SEVPs, corporate EVPs and corporate SVPs as of July 1, 2023. Number of corporate officers through 2022.

Corporate Governance

Independence of the Board of Directors

	From the perspective of ensuring independence, the majority of the Board of Directors is comprised of independent outside directors. The number of independent outside directors is as presented in Corporate Governance System.	<u>Independence Criteria for Outside Directors</u>
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Diversity of the Board of Directors

GRI 405-1	Ratio of female or non-Japanese to directors and officers ^{5, 6}	2022	2023	5. A KPI for the Mid-Term Management Plan 2025 is increasing this ratio to 20% by the end of fiscal 2026 (including transfers determined as of April 1, 2026). This KPI was "Ratio of female or non-Japanese to directors, Audit & Supervisory Board Members (KANSAYAKU), and corporate officers" in 2022, but the name of the KPI has changed to reflect the transition to a company with a Nominating Committee, etc. When the Company initially announced Mid-Term Management Plan 2025, it became "Ratio of officers ranked executive officer or higher who are female or non-Japanese (excluding Audit & Supervisory Board members (KANSAYAKU))." This ratio, as verified by third party SGS Japan Inc., was 8.0% as of April 1, 2022. 6. As of April 1, 2023, directors, Audit & Supervisory Board members (KANSAYAKU), corporate officers, corporate SEVPs, corporate EVPs and corporate SVPs. As of July 1, 2023, directors, corporate officers, corporate SEVPs, corporate EVPs and corporate SVPs. 7. Verified by independent third party KPMG AZSA Sustainability Co., Ltd.
	(As of April 1 of each year)	9.1%	14.8% ⁷	
	(As of June 30, 2022 and July 1, 2023)	9.4%	15.3%	

Criteria and Process for Selecting Directors

GRI 2-10	<u>Reasons for Nomination of Outside Directors, etc.</u>
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Effectiveness of the Board of Directors

	The Company conducts an analysis and evaluation on the effectiveness of the Board of Directors once a year and improves the function of the Board of Directors. The Company discloses a summary of the results of such analysis and evaluation. Also, if necessary, the Company utilizes a third-party evaluation organization in assessing the effectiveness of the Board of Directors. The Company discloses a summary of the results of such evaluations along with meeting attendance in its fiscal 2023 Corporate Governance Report.  Corporate Governance Report	<u>Meeting attendance</u> <u>Evaluation of the Effectiveness of the Board of Directors</u>
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Remuneration for Directors

	<u>Remuneration for Directors and Executive Officers</u>
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Risk Management

Risk Management Policies

	NEC has appointed a CRO to accurately identify and address internal and external risks related to its businesses. The Company maintains a system to mitigate the probability of losses through Groupwide oversight and centralized response to risks across the Group.	The CRO chairs the Risk Control and Compliance Committee and provides leadership in detecting and analyzing the increasingly diverse and complex risks in the Company's constantly evolving social and business environment, assessing the impact of risks, prioritizing responses according to a risk map, and implementing the required risk countermeasures.
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Medium- to Long-term Targets, Priority Activities and Progress, Achievements and Issues

Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

	Conduct appropriate risk management Select important risks that affect business execution and both plan and implement effective countermeasures
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FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

	FY2023 Goals Conduct appropriate risk management Establish and implement effective measures for Priority Risks • Risk of human rights infringements in the value chain	Progress, Achievements and Issues Measures implemented for Priority Risks • Clarify customer due diligence perspectives in high-risk regions • Introduce risk mitigation measures for NEC direct trade projects • Raise awareness among people involved in businesses in high-risk regions Examine and assess status of countermeasures for other important risks	FY2024 Goals Enhancement of a comprehensive and centralised system to control Companywide risks, including the appointment of a CRO Planning and execution of effective measures for Priority Risks • Harassment • Compliance with laws and regulations related to quality and safety • Improvement of project contract quality
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Risk Management Framework

GRI 2-16 407-1 408-1 409-1	Board of Directors Given its oversight role with respect to business execution, the Board of Directors oversees the effectiveness of risk management by receiving reports related to material misconduct and reports on the measures taken for the Priority Risks. Executive Committee The Executive Committee discusses important NEC management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies. Chief Risk Officer (CRO) The CRO chairs the Risk Control and Compliance Committee and supervises Companywide activities comprehensively to mitigate NEC Group risks.	Risk Control and Compliance Committee • The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies plans for the prevention of recurrence and preventive measures, and deliberates on policies for risk management activities and policies for selection of and countermeasures to the Priority Risks. The committee executes a supervisory function in Companywide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, verifying the activity results and issues and future activity plans and providing direction for improving and enhancing measures as needed. • The CRO chairs this committee, supervising the implementation of Companywide risk management and reporting as necessary on important matters and outcomes of the committee's proceedings to the Executive Committee, which includes the CEO. System for Crisis Management and Business Continuity Crisis Management and Business Continuity
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Risk Management

Risk Assessment

Risk Assessment Methodology

Selecting Priority Risks and Countermeasures

The Company creates a risk map based on the results of risk assessments conducted for business divisions and staff divisions, and every year identifies Priority Risks with a potentially significant impact on corporate management because of their degree and urgency. The Board of Directors receives reports on the Priority Risks and implements countermeasures.

The Risk Control and Compliance Committee discerns changes in internal and external factors as the basis for discussing and periodically reviewing the potential impact of risks.

Long-term Risk

Environmental Management

Response to Emerging Risks

Risks Related to Climate Change

Description

Climate change has brought with it an increase in unexpected natural disasters that could cause difficulties with business continuity for NEC, its customers, and their supply chains. The introduction and expansion of carbon pricing worldwide, aimed at reducing CO₂ emissions, could lead to higher costs as NEC works to reduce the emissions produced through its business activities.

Impact on business

If customers experience trouble with business continuity, it could cause orders from these customers to fall below expectations. Moreover, this would result in higher costs. For example, costs will rise by 2.77 billion yen per year (using 130 yen to the dollar), assuming carbon pricing (130 dollars per t-CO₂) was applied to its Scope 1 and Scope 2 emissions (about 164,000 tons).

Mitigation measures

- We conduct scenario analyses that envision 2030 and 2050 and cover the entire supply chain and the future of our lifestyles and government.
- We have joined RE100 and are working to expand renewable energy use.
- We have set internal carbon pricing with the aim of improving energy efficiency and promoting the introduction of low-carbon facilities and equipment. This price allows us to convert the CO₂ reduction that would result from a given capital investment into a monetary value, which we can then use as a reference when making investment decisions.
- We promote initiatives with an eye on potential increases in carbon taxes and emissions trading.
- We provide customers with a variety of ICT solutions to help them reduce their CO₂ emissions. In addition, we conduct the setting of environmental management goals aimed at reducing CO₂ emissions across the entire supply chain and improving business succession measures.

Information Management Risks Associated with Increasingly Sophisticated Cyber Attacks

Description

As cyber attacks become increasingly sophisticated and the targeted businesses are expanding and more complicated, it is difficult to discover and mitigate threats such as unauthorized access or vulnerabilities in information management systems in a timely manner.

Impact on business

NEC collects, holds, uses, transfers and otherwise processes a large amount of personal and confidential information. In the event that personal or confidential information held by NEC is leaked or exposed through unauthorized access or cyber attacks and is used fraudulently, NEC may be legally responsible and may be subject to disciplinary action by regulatory authorities. This could damage NEC's reputation and brand value. The risk of unauthorized access and cyber attacks exists not only for NEC's own products, services and systems, but also for those of our customers, contractors, suppliers, business partners and other third parties.

Mitigation measures

We are implementing robust and flexible measures throughout the Group based on the CISA¹ Zero Trust Maturity Model. Based on *Cybersecurity Management Guidelines Ver. 3.0* formulated by the Ministry of Economy, Trade and Industry, Government of Japan and *Cybersecurity Framework (Version 1.1)* of the NIST,² we are strengthening intelligence (proactive defense) and resilience (ability to recover from attacks) against cyber attacks. In addition, presenting cybersecurity risks to all employees on a dashboard as part of our data-driven transformation is supporting quick management decisions and autonomous front-line actions. Furthermore, based on *Security by Design 3.0*, which considers security from the design stage, we are enhancing measures that include our supply chain in order to provide safe, high-quality services. Please refer to our Information Security Report for details about our initiatives.

Information Security Report

1. Cybersecurity & Infrastructure Security Agency (an agency of the United States Department of Homeland Security)
2. National Institute of Standards and Technology (an agency of the United States Department of Commerce)

Risk Management

Risk Culture

Incentives Based on the Personnel Evaluation Process and Risk Management Evaluation Indicators

A department is responsible for the system for each risk, and the response to that risk is directly linked to the operations of that department. Business performance is directly reflected in performance appraisals.

Risk Management Training and Education

NEC provides risk management training for managers to increase awareness and understanding of risk management.

Confirmation and Reporting of Potential Risks by Employees

GRI
2-26

[Internal Reporting System](#)

Internal Feedback Process for Potential Risks

The Risk Control and Compliance Committee and senior management exchange and discuss information about latent and emerging risks to enhance the Company's capability to address risks. We also continuously improve our risk management methodology.

Crisis Management and Business Continuity

Crisis Management and Business Continuity Policies

NEC has prepared a business continuity plan (BCP) and is promoting business continuity management so that the Company can fulfill its social responsibilities by continuing to stably supply customers with products and services even when risks actualize in the form of earthquakes, typhoons, and other natural disasters; global pandemics; wars; or terrorist attacks. Our goal is to be able to continue NEC Corporation's business as far as possible, and to recover operations quickly if they are interrupted.

[Basic Disaster Response Policies](#)

Crisis Management and Business Continuity Organization

NEC Corporation will continue business proactively and flexibly through the following three functions. The status of activity will be reported regularly to the Board of Directors.

1. Business Continuity and Disaster Recovery Headquarters
This function is headed by the president and comprises corporate divisions such as the Human Resources and General Affairs Department. The Headquarters maintains senior management's decision-making function and prepares an environment for recovering operations.

2. Business Unit BCP Teams
These teams are formed in each business unit. They conduct activities for recovery of business (customer response, gathering information of damage to operations, recovery, logistics, and securing materials, etc.).

3. Workplace BCP Teams (Bases)
These teams are formed at the workplace and base level. They secure the safety of the workplace, confirm the safety of employees, quickly recover worksite infrastructure, support employees' lives, assist those who wish to return home, and coordinate with the community.

In addition, internationally we have formulated BCPs in response to each country's risk under the global system of five Regional Headquarters (RHQ), along with information escalation rules in the case of emergencies.

Risk Management

Crisis Management and Business Continuity

Response to Large-scale Disasters, Incidents and Accidents, and Infectious Diseases

Response to COVID-19

NEC implemented the following measures in fiscal 2023 to prioritize the lives and safety of its employees.

- All employees take thorough precautions against COVID-19
- Temperature checks each morning, handwashing, and gargling
- Staggered work hours, telework and other measures to prevent the spread of infection at work
- Following rules for reporting when not feeling well
- Checking movement history around time of testing, maintaining distance from other people and thorough measures to prevent the spread of infection such as disinfecting surfaces
- The third work-sponsored vaccination for employees

The categorization of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases changed in May 2023, and relevant infection control measures are now the same as those for seasonal influenza.

ISO 22301:2019 Certification Acquisition

NEC has acquired ISO 22301:2019 certification, mainly in its system maintenance divisions and datacenter operations divisions. ISO 22301:2019 is an international standard for Business Continuity Management Systems (BCMS).

Responding to the Risk of Storm and Flood Damage

NEC Corporation has constructed a system in which the Company's internal disaster information sharing system automatically receives disaster information from the Japan Meteorological Agency and displays the range of impact on a map. This allows us to understand at a glance information regarding the Company's sites, customers, suppliers, and others located within that range.

Furthermore, we prepare for storm and flood damage by using the latest hazard maps to evaluate storm and flood damage risk at each business site. Based on these evaluations, while taking into account the balance between the impact of a disaster and cost, we are establishing periphery flood barriers at facilities that would require considerable time to restore.

Moreover, divisions that have not acquired ISO 22301:2019 certification are complying with the international standard as far as possible and have put in place efficient and effective countermeasures to prepare for potential threats to business continuity, including earthquakes, floods, typhoons, and other natural disasters; system faults; pandemics; power outages; and fires.

ISO 22301:2019 Certification

Exercises and Training on Disaster Prevention and Business Continuity

Education, Exercises and Training on Disaster Prevention and Business Continuity

Education and online training

NEC and affiliated companies in Japan conduct the following training and drills every year to prepare for large-scale natural disasters with the aim of minimizing damage and resuming operations as quickly as possible.

- NEC conducts drills to confirm disaster response procedures in accordance with work styles as part of work style transformation.
- NEC holds online training and workplace discussions that serve as opportunities to think about how to act during a natural disaster, what can be done beforehand, and the necessary preparations for dealing with a large-scale earthquake, while drawing up specific natural disaster scenarios.

Enhancing the degree of completion of BCPs

- Since 2016, NEC has introduced systems for visualizing the business continuity status for each company and division by using indices such as "organizational state in regular times and at the time of disaster," "leadership," "disaster prevention and business continuity plan," "support status," "effective operation," and "evaluation and improvement."
- We will refine the system to cement a business continuity mindset as part of our organizational culture and continue making improvements across the entire NEC Group to enable each division and employee to think and act autonomously during disasters.

Participation in the Activities of External Organizations

NEC Corporation has been a Business Ethics Research Center (BERC) member since its establishment in 1997. BERC collects worldwide information relating to business ethics, undertakes research on ethics, offers consulting on business activities, and educates businesspersons while promoting ethics. We have utilized information on examples of initiatives at other companies obtained through BERC in the planning of various measures.

Compliance

Compliance Policy		
	<p>In its Principles, NEC subscribes to “Uncompromising Integrity and Respect for Human Rights,” and conducts continuous Companywide activities involving everyone from officers to employees with management firmly based on compliance.</p> <p>Compliance</p> <p>NEC aims to establish compliance within its corporate culture by ensuring that each officer and employee treats compliance as their own responsibility and practices conduct in accordance with the NEC Group Code of Conduct. Moreover, the Code has been translated into Japanese, English, Chinese, Portuguese, and Spanish. By promoting the Code at consolidated subsidiaries abroad, we are creating a corporate culture in Japan and abroad that gives first priority to compliance. Also, we recognize that the Code should be revised regularly. If a violation is found, the person or persons associated with the infraction will be dealt with according to employee regulations, and consideration will be given toward reflecting the violation in the performance evaluation of the relevant department.</p> <p>In order to realize effective compliance measures, the general managers of every division have taken leadership and responsibility for discussing and implementing the optimal measures for their divisions with support from the corporate divisions.</p>	<p>Furthermore, identifying compliance as one of NEC’s priority management themes from an ESG perspective—materiality—the Mid-term Management Plan 2025 sets as a goal zero cases of serious involvement with cartels and/or bid-rigging.</p> <p>Periodic Rotation and Reengagement of Accounting Auditors</p> <p>Pursuant with regulations such as those that are based on the Certified Public Accountants Act and which concern accounting auditors, the Company manages operations based on the following rules.</p> <p>Engagement partners may not be engaged for more than seven accounting periods in duties that entail conducting audits of the Company. Lead engagement partners may not be engaged for more than five accounting periods in duties that entail conducting audits of the Company.</p> <p>For two accounting periods after being replaced, engagement partners may not be engaged in duties that entail conducting audits of the Company. For five accounting periods after being replaced, lead engagement partners may not be engaged in duties that entail conducting audits of the Company.</p>

Medium- to Long-term Targets, Priority Activities and Progress, Achievements, and Issues			
Medium- to Long-term Targets and Priority Activities (Scope: NEC Corporation unless otherwise specified)			
Period: April 2021 to March 2026			
M: Major non-financial indicators related to materiality			
	M: Engage in thorough compliance Establish a Groupwide culture that prioritizes compliance and promote fair trade, drawing from the NEC Group Code of Conduct		
FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals			
	FY2023 Goals Engage in thorough compliance <ul style="list-style-type: none">• Number of cases of serious involvement with cartels and/or bid-rigging: 0• Raise the completion rate of online compliance training (completion rate: 98% or higher)• Number of reports submitted to the Compliance Hotline: 80 cases or more	Progress, Achievements and Issues Engage in thorough compliance <ul style="list-style-type: none">• Number of cases of serious involvement with cartels and/or bid-rigging: 0• Raise the completion rate of online compliance training (98.4% completion rate)• Number of reports submitted to the Compliance Hotline: 109 cases	FY2024 Goals Engage in thorough compliance <ul style="list-style-type: none">• Number of cases of serious involvement with cartels and/or bid-rigging: 0• Raise the completion rate of online compliance training (98% or higher)• Ensure awareness of Compliance Hotline (90% awareness)

Compliance

Compliance Framework

<div>GRI</div> <div>2-16</div> <div>407-1</div> <div>409-1</div>	<p>NEC Corporation enforces and implements compliance with senior management.</p> <p>Audit & Supervisory Board Members (KANSAYAKU) (As a result of the transition to a company with a Nominating Committee, etc., the Company does not have Audit & Supervisory Board members (KANSAYAKU) after the June 2023 Ordinary General Meeting of Shareholders.) The Audit & Supervisory Board Members (the "A&SBMs") audit the performance of duties within NEC Corporation by regularly discussing reports of audit results received from the Group Internal Audit Division, or reports on the status of operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.</p> <p>Chief Legal & Compliance Officer (CLCO) The CLCO is the deputy chairperson of the Risk Control and Compliance Committee and oversees Companywide compliance promotion activities.</p> <p>Risk Management and Compliance Department The Risk Management and Compliance Department formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Code of Conduct. In addition, the department provides the necessary support, coordination, and guidance to ensure that risk management in the business and corporate staff departments is implemented systematically and effectively.</p> <p>For example, the department enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey, and exchanging information with subsidiaries worldwide.</p>	<p>In addition, the department regularly listens to and discusses reports on audit results from the Group Internal Audit Division and receives status reports on the operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.</p> <p>Group Internal Audit Division Members of the Group Internal Audit Division include experts in internal audits. The division conducts audits to ensure that NEC is operating lawfully, properly and efficiently. It also points out problems and proposes improvements.</p> <p>Compliance Promotion at Consolidated Subsidiaries</p> <ul style="list-style-type: none">• The presidents of our consolidated subsidiaries take ownership of drafting and implementing compliance measures with guidance and support from the Risk Management and Compliance Department, corporate departments and business units.• In regard to consolidated subsidiaries abroad, the five Regional Headquarters (RHQ), including the subsidiaries under them worldwide, further strengthen compliance.• NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the consolidated subsidiaries in Japan and abroad to the head office in Japan. <p><u>Basic Policy on Internal Control Systems</u></p> <p><u>Compliance Implementation Framework</u></p>
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Compliance

Compliance in Practice

Compliance Initiatives

Conducting Various Initiatives for NEC Compliance Day

Every November 18, NEC holds its NEC Compliance Day, marking the date on which it received an on-site inspection by the Japan Fair Trade Commission in connection with sales of digital firefighting emergency radio systems. On this day, NEC reaffirms the importance of compliance at NEC Corporation and its subsidiaries in Japan and abroad with a variety of activities meant to spread awareness and ingrain compliance as part of NEC's corporate culture.

Messages from senior management

Officers, including the president, corporate officers, division general managers, and the presidents of consolidated subsidiaries in Japan and abroad, communicate messages to underscore the importance of compliance to all employees. This includes adherence to the NEC Group Code of Conduct.

Reaffirming the relevance of the Antimonopoly Act violations

- Distribute videos of lectures given by employees who responded to the three Antimonopoly Act violations committed by the Company in the past to keep them relevant.
- Conduct retrospective interviews with executives of the sales divisions and the Legal Department who were involved in the response at the time.

Special lecture and compliance award

- Lectures are given by the Company's president and instructors from outside NEC who are familiar with compliance.
- Departments that take ownership and actively work to ensure compliance are recognized, and the activities of each department are enhanced by showcasing specific initiatives.

Compliance quiz

Activities are conducted to enhance understanding of compliance by citing familiar examples.

Study sessions

Corporate departments and others conduct webinars to improve understanding of each system.

Online NEC Compliance Day portal

An online NEC Compliance Day portal is set up on the Company intranet to enable employees to browse activities and information related to the event at any time.

Risk Management

Compliance Training and Education

NEC Corporation and its subsidiaries in Japan conduct web-based training regarding compliance for all corporate officers and employees (including dispatched employees) once a year (completion rates in the training period: NEC Corporation: 98.4%; consolidated subsidiaries in Japan: 97.6%).

Those unable to take the course within the period must commit to taking it in the next round. Also, NEC Corporation is deploying training content for consolidated subsidiaries abroad translated into multiple languages (Japanese, English, Spanish, Portuguese, and Chinese). On NEC Compliance Day we also keep these incidents relevant by reminding employees of the impact of the three incidents related to violations of the Antimonopoly Act.

In addition, the corporate officers and employees participating in this training pledge to consistently maintain unwavering integrity based on the Principles of the NEC Group and act in accordance with the Group's Code of Conduct. They also announce their own initiatives to ensure a corporate culture of compliance. Furthermore, NEC Corporation uses training for new employees and stratified training for new corporate officers and new division general managers as opportunities to emphasize the importance of conduct that complies with the NEC Group Code of Conduct.

Web-based compliance training completion rate	FY2020	FY2021	FY2022	FY2023
Non-consolidated	98.8%	99.0%	99.0%	98.4%
Consolidated Group in Japan	98.9%	98.5%	98.5%	97.6%

Compliance

Compliance in Practice

Compliance Awareness Survey

Survey on Compliance Promotion Initiatives

We conducted a survey of all corporate officers and employees in conjunction with web-based training regarding compliance in order to evaluate the status of their initiatives on compliance promotion and their awareness of compliance. Furthermore, in a questionnaire survey conducted after NEC Compliance Day, we asked employees of each division to evaluate the messages delivered by their respective division general manager.

The results of the questionnaire surveys were posted as feedback on the intranet portal and have been useful for proposing and implementing measures to further enforce compliance.

Exchanges of Opinion with Business Divisions

To further increase each division general manager’s ownership of ensuring compliance, in fiscal 2023 the Risk Management and Compliance Department held an exchange of opinions with approximately 28 business divisions and subsidiaries.

Number of, Details on and Measures for Handling Compliance Violation

GRI	In fiscal 2023, once again there were no cases of serious involvement with cartels and/or bid-rigging in the NEC Group.
2-27	No major issues regarding bribery or competition law violations have occurred that would require public disclosure.
205-3	
206-1	

Internal Reporting System

Compliance Hotline (Whistleblowing System for Employees and Business Partners)


GRI	<p>The Compliance Hotline is NEC’s whistleblowing system for preventing corruption and fraud, and for other compliance matters in general. We have also established a contact point for the hotline at a third party as an additional contact point in order to enhance convenience and to address a broader range of risks at an early stage. This contact point receives reports from whistleblowers not only among employees of NEC Corporation but also its subsidiaries in Japan and business partners. The identity of whistleblowers who contact the hotline and the nature of their reports are guaranteed confidentiality by the personnel in charge. In addition, whistleblowers will never suffer retaliation for having made a report. In the unlikely event that such retaliation takes place and is confirmed, necessary corrective measures will be taken.</p> <p>As a response to the Amendment of the Whistleblower Protection Act, we have strengthened the system in place for protecting whistleblowers, which includes the designation of workers dedicated to responding to whistleblowing reports. Another response is the “Audit Committee Hotline,” an internal reporting system that allows whistleblowers to report fraudulent activity by members of the board and/or executive officers to the Audit Committee. We will continue to ensure the protection of whistleblowers and work to establish a system that allows employees and other parties to make reports with peace of mind.</p> <p>NEC and its consolidated subsidiaries in Japan have taken steps to ensure the protection of confidentiality and prevention of retaliation by establishing the Compliance Hotline Regulations as internal regulations and make them known to employees through training programs and other means.</p> <p>In fiscal 2023, the number of reported cases was 109. The reported cases included ethical behavior violations, violations against the NEC Group Code of Conduct or Company rules and fraud. All 109 cases have been appropriately handled.</p>	Examples of the measures taken are as follows.			
2-26		In a report under the category of power harassment, sexual harassment, or any other form of harassment, the facts were confirmed, and the offender was given guidance and transferred, giving consideration to the whistleblower’s wishes.			
414-2		For NEC’s consolidated subsidiaries abroad, Regional Headquarters (RHQ) also set up multilingual whistleblowing systems operated by third parties in each region, which are available for local officers and employees to use in the native local language (English, Spanish, Portuguese, and Chinese). The consulted/reported cases and their handling by consolidated subsidiaries abroad are shared with NEC Corporation.			
		The Global Hotline, an additional contact point for subsidiaries abroad, is aimed at early detection and resolution of fraudulent activities involving executives at consolidated subsidiaries abroad. Accordingly, this hotline functions independent of these executives, and we are working to expand the number of companies that can take advantage of this new contact point.			
		The status of Compliance Hotline implementation and operation (including the internal reporting systems of NEC Corporation subsidiaries) is regularly reported by the Group Internal Audit Division to the Board of Directors and the Audit Committee.			
		FY2020	FY2021	FY2022	FY2023
	Compliance Hotline: Number of consultations	90	76	62	109

Compliance

Prevention of Corruption

Policy for Prevention of Corruption

The Company prevents bribery by disseminating and developing its Anti-Bribery Policy and Anti-Bribery Manual. In addition, the NEC Group Code of Conduct covers prevention of bribery and corruption; entertainment, gifts, donations, and political activities; prohibition against involvement in antisocial acts; and prohibition on insider trading. In these ways, we make every effort to completely preclude all forms of bribery and corruption.

 **NEC Group Code of Conduct**

Anti-Corruption Framework and Initiatives

GRI 205-1 205-2	<p>The Legal and Compliance Division has formulated the Anti-Bribery Policy and the Anti-Bribery Manual and disseminates them throughout the Company. The manual prevents bribery by stipulating the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding a division's business and operations, including procedures if risk is deemed to be high and due diligence regarding retained parties¹ or partners employed in the Company's business activities.</p>	<p>Retained parties enlisted to assist with sales promotions and winning orders are made aware that there may be additional procedures to take, including with related staff divisions, in accordance with the type of risk.</p>
	<p>For due diligence, NEC stresses the importance of evaluating bribery risk through communication and collection of information by retained parties or partners on behalf of the Company or as its agent, as well as the importance of continued monitoring due to the possibility of risks related to retained parties or partners changing with the passage of time.</p> <p>Additionally, to counter the risk of bribery in business transactions conducted by retained parties or partners, NEC mandates that contracts include provisions about preventing bribery and has changed the scope of monitoring that is performed.</p>	<p>Furthermore, as the world's nations work on strengthening their anti-bribery laws, NEC has also developed a Guideline for Provision of Gifts, Hospitality, Travel Expenses and Donations, and provides guidance, support, instructions and more to relevant internal divisions and consolidated subsidiaries in Japan and abroad.</p> <p>Checking on routine operations is an important part of preventing corruption, and therefore guidelines and rules have been established by the Human Resources and General Affairs Department for hospitality, gifts, and donations, such as political donations, the planning divisions of each business unit for operating expenses, and the Sourcing and Purchasing Department for procurement expenses; expenditures requested by the Company's divisions are checked to ensure there are no problems.</p> <p>1. Our Anti-Bribery Policy is based on a risk-based approach, and it defines enlisted agents, intermediaries or other third parties involved in certain operations that are assumed to have a relatively high bribery risk as "retained parties."</p>

Political Donations

GRI 415-1		FY2020	FY2021	FY2022	FY2023
	Political donations ² (Million yen)	15	15	15	18
	2. The donations are made to a political organization, giving due consideration to necessity and appropriateness, as well as complying with relevant laws and ensuring transparency.				

Compliance

Competition Law Compliance

Competition Law Compliance Policy

We take active measures to prevent the violation of antimonopoly laws. These measures include setting as a goal zero cases of serious involvement with cartels and/or bid-rigging as a KPI for materiality.

The Company has established the NEC Group Competition Policy, formulating basic considerations on compliance with Japanese and international competition laws to reduce the risk of violations, and broadly disseminates information about this policy within NEC and certain consolidated subsidiaries in Japan and abroad.

Competition Policy

Our Response to Past Incidents of Violations

In July 2016, NEC was notified by the Japan Fair Trade Commission of violations of the Antimonopoly Act, related to business transactions with Tokyo Electric Power Co., Ltd. (now Tokyo Electric Power Company Holdings, Inc.) in electric power security communications equipment. NEC was notified again of similar violations in February 2017 related to digital wireless communications equipment for fire rescue, and also for business transactions with Chubu Electric Power Co., Ltd. in electric power security communications equipment. In order to keep these three events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission. In order to promote fair commercial transactions, we consider the commitment of management executives to be the most important element in promoting fair commercial transactions. For this reason, on NEC Compliance Day, the management executives issue a message to all employees to help reaffirm the importance of compliance every year, including promoting fair commercial transactions.

NEC Corporation was also subject to an investigation from the World Bank, on suspicion of violating the World Bank's procurement guidelines in relation to the planned financing of a tender project in Hanoi, Vietnam, and ultimately reached a settlement agreement with the World Bank in July 2018. On the advice of the World Bank, the Company conducted measures to strengthen its compliance programs, such as revising the NEC Group Code of Conduct and regulations and manuals related to preventing anti-corruption. The World Bank lifted its sanctions on January 19, 2020.

Competition Law Compliance Framework and Initiatives

NEC Corporation promotes compliance with competition laws through cooperation and coordination between the Legal and Compliance Division and other divisions.

Tax Compliance

Tax Policy

GRI

207-1

207-2

207-3

In the Group Code of Conduct, NEC members promise that they will:

- Comply with international rules, applicable laws and regulations, this Code of Conduct, and in-house policies and guidelines in every aspect of the Company's activities at all times, and also understand the cultures and customs of countries and regions, and act in good faith in accordance with a good social conscience based on high ethical standards; and
- Keep all financial records, accounting records, and all other records accurately and fairly, and not perform accounting processing in an improper manner or any other act that may cause any loss or damage to the Company.

With the aim of establishing a common framework for managing tax risks and tax policies, NEC has formulated the NEC Group Tax Governance Policy, which sets out the principles of tax governance to be followed. We do not engage in tax planning solely for tax avoidance, without substantive business objectives. Similarly, we do not transfer profits using tax havens with the intention of tax avoidance.

The Chief Financial Officer (CFO) is responsible for the tax governance of the NEC Group.

In Japan, we report the results of our tax returns and tax audits to the CFO and continuously work to implement appropriate tax reporting and prevent fraud.

 **NEC Group Tax Governance Policy**

Transactions between Affiliated Companies

To ensure thorough management of taxation risks in relation to globalization, NEC carries out pricing decisions in transactions between affiliated companies based on the arm's length principle in accordance with the approach advocated by the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Having understood the intent of the generally accepted rules and guidance regarding international taxes, such as the Action Plan on Base Erosion and Profit Shifting (BEPS), NEC pays taxes in a timely and appropriate manner based on tax rules and treaties for each country, by reflecting its business results, and does not carry out activities aimed at fraudulent avoidance of taxes.

We also follow that basic approach in relation to tax matters and are striving to optimize them from a medium- to long-term perspective. In addition, on its intranet, NEC provides details about basic rules for corporate taxes and other matters as well as a summary of tax reforms and the "Outline of the Tax Reform."

Relationship with Tax Authorities

NEC endeavors to reduce tax uncertainties through prior consultation with tax authorities and by responding in good faith to related information disclosure requests made by tax authorities.

Transparency

NEC complies with the Financial Instruments and Exchange Act and all applicable laws, rules, and regulations in preparing and disclosing its Annual Securities Report. Tax-related disclosures required by applicable laws are also included in the Annual Securities Report.

Starting from fiscal 2017, NEC has disclosed its consolidated financial results in accordance with International Financial Reporting Standards (IFRS). By adopting IFRS, NEC intends to disclose more internationally comparable financial information to capital markets and to further enhance transparency of its financial information.

Supply Chain Management

Supply Chain Management Policy

	<p>NEC endeavors to work not only internally, but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole, with the intention of gaining the trust of society and helping to create sustainable social value.</p> <p>Specifically, NEC formulated the NEC Group Procurement Policy based on its concept of Management for Sustainability and on the ISO 26000 and ISO 20400 international guidance standards for social responsibility and sustainable procurement. We are developing a policy in internal control pertaining to sustainable procurement and rolling it out among suppliers. NEC has established Basic Rules for Procurement, and ensures that all employees remain in compliance with these rules. To strengthen this effort, NEC also devised concrete operational rules for its procurement processes and ensures that the rules are disseminated among procurement-related personnel by conducting regular training.</p> <p>In terms of implementation among suppliers, the NEC Group Procurement Policy and the Guidelines for Responsible Business Conduct in Supply Chains require our suppliers, including upstream business partners, to implement responsible business conduct and identify the following six priority risks:</p> <ul style="list-style-type: none">• Human Rights and Labour Practices• Health and Safety• Environmental Requirements• Fair Trading and Ethics• Product Quality and Safety• Information Security <p>With regard to human rights, the NEC Group Procurement Policy clearly rejects slavery and human trafficking, and the Guidelines for Responsible Business Conduct in Supply Chains prohibit forced labour and child labour, while respecting workers' right to organize. The policy and guidelines also require appropriate wages and management of work hours.</p>	<p>Moreover, we perform due diligence on human rights in accordance with the guidance from the OECD, identify and evaluate risks, and take steps to mitigate risks.</p> <p>With regard to the environment, our Guidelines for Responsible Business Conduct in Supply Chains call for a combined effort between NEC and its suppliers to realize environmental management. At the same time, we have also set out the Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products, which require compliance with industry regulations on chemicals in products.</p> <p>Regarding information security, NEC sets out security measures to be observed by outsourcers in Basic Rules for Customer-Related Work and has them make a pledge to observe them in order to ensure thorough implementation of countermeasures.</p> <p>Based on this policy and guidelines, NEC will work to deepen mutual understanding with suppliers and promote procurement activities in close collaboration with them, while evaluating them comprehensively in terms of quality, cost and delivery (QCD) and sustainability, and continuing in efforts to nurture partnerships from a long-term perspective.</p> <p><u>NEC Group Procurement Policy</u></p> <p><u>Guidelines for Responsible Business Conduct in Supply Chains</u></p> <p><u>Development of Environmentally Friendly Products</u></p> <p><u>Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products</u></p> <p><u>Information Security and Cyber Security</u></p>
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Medium- to Long-term Targets, Priority Activities and Progress, and Achievements

<p>Medium- to Long-term Targets, and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026</p> <p>M: Major non-financial indicators related to materiality</p>	
	<p>M: Suppliers agreeing to procurement guidelines: 75%¹ (by the end of fiscal 2026)</p> <p>1. Ratio based on the total consolidated procurement amount</p>

FY2023 Goals, Progress and Achievements, and FY2024 Goals			
	<p>FY2023 Goals</p> <p>Continue acquiring suppliers agreeing to procurement guidelines for 75%</p>	<p>Progress and Achievements</p> <p>Suppliers agreeing to procurement guidelines: 83% (by the end of fiscal 2023)</p>	<p>FY2024 Goals</p> <p>Continue acquiring suppliers agreeing to procurement guidelines for 75%</p>

Supply Chain Management

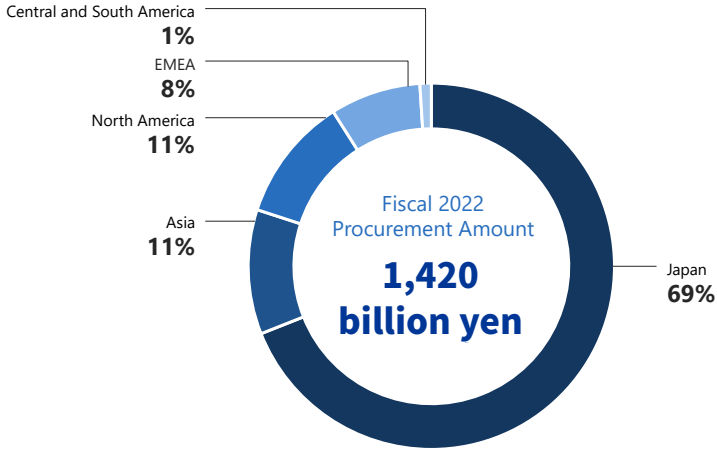
Supply Chain Management Framework

GRI 407-1 408-1 409-1	<p>Sustainable procurement activities of the entire NEC Group are the responsibility of the Chief Supply Chain Officer (CSCO). Decisions are made by the Procurement Steering Committee chaired by the Senior Director of the Sourcing and Purchasing Department.</p> <p>In the course of ensuring compliance with purchasing-related laws and regulations, NEC has appointed compliance promoters who specialize in purchasing-related laws and regulations at NEC Corporation and its major consolidated subsidiaries in Japan. These compliance promoters rigorously enforce legal compliance within their divisions and their companies. Compliance promoter conferences are held twice a year, during which they share recent information needed for promoting compliance, such as trends in reinforcement of control by competent authorities, training programs for procurement personnel, and online training materials.</p>	<p>Regarding international affiliated companies, NEC works with procurement managers at regional headquarters in North America, Latin America, EMEA, China, and ASEAN and major local subsidiaries directly controlled by head office to conduct quarterly operational reviews in line with their annual activity policies and plans to promote sustainable procurement in accordance with the culture and business practices of each country, as well as with the basic policies and guidelines mandated by the head office in Japan.</p> <p>Such meetings receive regular reports and endeavor to enhance governance for both Japan and around the world.</p>
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Supply Chain Status

Overview of Suppliers

Procurement Amount by Region²



2. Based on location of suppliers' headquarters

Critical Suppliers

NEC designates critical suppliers as suppliers that account for a large procurement amount, suppliers of rare products and suppliers that cannot be easily replaced, and focuses on engaging in sustainable procurement measures. We are strengthening initiatives to deal with identified risks in each region, sector and procurement category.

Supply Chain Management

Measures Related to Suppliers

Dissemination

GRI 205-2	<p>NEC presents the NEC Group Procurement Policy, the Guidelines for Responsible Business Conduct in Supply Chains, and various other guidelines to its suppliers. We also hold exchange meetings with strategic supply chain partners and Sustainability/Information Security Sessions, where we explain our policies and guidelines directly to suppliers and ensure dissemination of the latest measures.</p> <p>NEC disseminated information to suppliers about its sustainable procurement policies and measures at exchange meetings with strategic supply chain partners held in June 2022 and at the Sustainability/Information Security Sessions, held in July 2022 with 1,777 companies participating.</p>		FY2020	FY2021	FY2022	FY2023
		Number of suppliers (people) that attended the Sustainability/Information Security Sessions	1,343 (1,804)	1,436 (1,436)	1,792 (2,131)	1,777 (1,777)

Acquisition of Supplier Sustainability Declarations

GRI 205-2 414-1	<p>NEC enters into basic contracts and obtains declarations that demonstrate suppliers' commitment to responsible business conduct in supply chains. These declarations were formulated in response to the Guidelines for Responsible Business Conduct in Supply Chains. As a metric for the materiality "supply chain sustainability," we aim to acquire declarations from suppliers accounting for 75% of the total procurement amount by the end of fiscal 2026. We ask our new suppliers to submit their declarations prior to the commencement of business transactions.</p> <p>As of the end of fiscal 2023, NEC has received these declarations from approximately 11,000 suppliers in Japan and around the world (83% of the total procurement amount). We aim to keep this declaration ratio above 75% of the total procurement amount.</p>		FY2020	FY2021	FY2022	FY2023
		Suppliers agreeing to procurement guidelines	—	68%	80%	83%

Strategic Supply Chain Partner Exchange Meetings

GRI 205-2	<p>NEC holds exchange meetings with its main strategically important supply chain partners each year. We require these suppliers to understand and cooperate with the NEC Group's sustainable procurement activities, centered mainly on human rights, labour, occupational health and safety, the environment and information security. Moreover, during the meetings, NEC presents Sustainability Awards to suppliers that make significant contributions to advancing sustainability initiatives.</p> <p>The meeting in June 2022 was held online as a preventive measure against the spread of COVID-19. A total of 418 members of the management at 204 suppliers from around the world participated.</p>		FY2020	FY2021	FY2022	FY2023
		Number of suppliers (people) that attended the exchange meetings with strategic supply chain partners	188 (444)	181 (385)	194 (426)	204 (418)

Initiatives for the Environment

	<p>Through the CDP Supply Chain Program run by the CDP, an environmental NGO that NEC partnered with in 2019, NEC surveyed the climate change initiatives of 68 companies, mainly hardware suppliers, in fiscal 2023, and provided feedback on the results of the survey.</p> <p>NEC has been recognized on CDP's Supplier Engagement Leaderboard, the highest Supplier Engagement Rating,³ for the third consecutive year.</p>	<p>We recognize that our various efforts to aim for zero CO₂ emissions from supply chains have been highly evaluated.</p> <p>3. The Supplier Engagement Rating is given by CDP based on an examination of a company's initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain.</p> <p>External Ratings and Evaluations</p>

Supplier Education and Awareness Training Activities

GRI 205-2	<p>NEC provides training opportunities and information to help suppliers promote sustainability.</p> <p>Regarding human rights, in February 2023, NEC invited an external lecturer to lead a Business and Human Rights seminar for members of suppliers' management, of whom 254 attended. An exit survey of attendees indicated 98% comprehension and 95% satisfaction.</p>	<p>Furthermore, in March 2023, an external lecturer made a presentation titled "Business and Human Rights: Responses Required of ICT/Software Companies" for critical suppliers of software. Attended by 110 suppliers, the presentation also included case studies. An exit survey of attendees indicated 91% satisfaction.</p> <p>Regarding the environment, we continue to hold briefing sessions and provide information on our climate change countermeasures.</p>

Supply Chain Management

Supply Chain Risk Assessment

Risk-based Approach

In September 2022, the Japanese government formulated and published the Guidelines on Respect for Human Rights in Responsible Supply Chains, and legal frameworks for preventing human rights abuses in supply chains have been updated abroad. With labour in supply chains being identified as a salient human rights issue, NEC improved its efforts at due diligence in human rights, in addition to its ongoing initiatives.

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

Step 1
Gather and evaluate information about risks specific to the ICT sector, regions, and NEC companies based on the ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights, the International Trade Union Confederation (ITUC)'s 2020 ITUC GLOBAL RIGHTS INDEX, other external research reports, and internal analysis of our procurement structure

Step 2
Identify high-priority business domains while referencing results of international NPO Business for Social Responsibility (BSR)'s evaluations of human rights impact (human rights risks to workers in manufacturing processes at overseas plants of suppliers, including outsourced production, human rights risks to foreign national apprentice interns in technical trainee programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development)

Step 3
Conduct third-party audits by an external auditing firm that specializes in human rights and occupational health and safety. We have selected five suppliers based on evaluation of scope and nature of potential impacts, while mapping the aforementioned risks across suppliers. Nonconformance incidents identified in these audits (for example, no human rights policy; no emergency exit signs; and not using proper protective equipment such as safety glasses) will be evaluated and ranked according to the following four categories from the viewpoints of human rights and occupational health and safety under Japanese law and global standards to provide feedback to suppliers and request corrective action.

Minor
↓
Major

1. Response not required

2. Items for improvement

3. Items for improvement (high priority)

4. Items for correction

Supply Chain Risk Assessment Results and Corrective Action

GRI 205-2

Document Check

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

Document checks are implemented through two inspections: sustainable procurement self-check sheets (human rights, occupational health and safety, the environment, fair trade and ethics, and other) and information security check sheets, which utilize a special system.

In the sustainable procurement self-check sheets, in addition to the inspection themes for human rights, occupational health and safety, the environment, fair trade and other, we newly added important inspection themes for foreign national technical intern programs and human rights measures of suppliers at tier 2 and further upstream. We received responses from 1,009 of the 1,081 companies we queried, and evaluated the status of each supplier, ranking them on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: "score rate" and "critical points."⁴

We issued feedback sheets to all of the suppliers that responded, indicating their score for each inspection theme and comparison to the average score for each product type, and shared the evaluation results with them. In this survey 15 suppliers received a Z rating, indicating the existence of potential risks.

Through supplier engagement, such as promoting an understanding of the conditions and providing correctional guidance, we will support suppliers that received the Z rating, with the aim of correcting identified issues during the first half of fiscal 2024.

NEC conducted document checks on 1,785 companies using the information security check sheet. Information security is an essential issue for us as a system integrator of information systems that serve as social infrastructures. In our collaborations with business partners, we believe it is important to ensure that the technology capabilities and information security level of the business partners meet our required standards. To this end, NEC categorizes its suppliers by information security level according to the implementation status of their information security measures based on the results of document checks. We then select suppliers for a project appropriately in accordance with the required level for the project when outsourcing tasks.

Information Security and Cyber Security

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

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

	FY2020	FY2021	FY2022	FY2023
Number of suppliers that responded to document check	—	696	956	1,009

Supply Chain Management

Supply Chain Risk Assessment

Supply Chain Risk Assessment Results and Corrective Action

On-site Assessment

When the SCM, Environment, TQM and Hardware Strategy Division makes an inspection of sustainable procurement requirements during regular visits to suppliers, we assess sustainable procurement requirements related to human rights, occupational health and safety, and the environment. In fiscal 2019, we started the "Supplier Visit Record" (SVR) initiative to compile records of these inspections.

With regard to information security, it is important to disseminate instructions and requirements even to employees of suppliers. Information security incidents may occur if these instructions and requirements are not followed by workers on the front line; therefore, NEC representatives visit supplier operation sites to conduct interviews, check supporting documents and carry out inspections.

For both kinds of on-site assessment, NEC shares the items that require improvement with its suppliers and supports them in implementing improvement measures.

	FY2020	FY2021	FY2022	FY2023
Number of Supplier Visit Records (SVRs)	104	55	79	67

In fiscal 2023, we performed SVR assessments primarily of critical suppliers in high-risk areas. We collected data on 67 on-site assessments to confirm that there were no issues.

For information security, suppliers are selected for on-site assessment based on comprehensive criteria that include not only the scale of transactions but also the criticality of handled information, the level of confidentiality, and results of self-assessment. In fiscal 2023, we carried out online on-site assessments at 202 companies. We did not observe any major deficiencies during the on-site assessments; however, we gave improvement guidance to suppliers that required improvement on minor issues (main areas for improvement: regulation of private possessions, designation of confidential labeling, management of disposal and return of confidential items, and cyber security measures).

Number of suppliers whose information security measures were inspected	FY2020	FY2021	FY2022	FY2023
On-site assessment	28	38 ⁵	100 ⁵	202 ⁵
Document check	1,465	1,456	1,779	1,785

5. Held online

Internal Engagement

Internal Education and Awareness Training Activities

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

For All Employees of NEC Corporation

In November 2022, we provided online training to raise awareness of the importance of sustainable procurement. A total of 21,035 people took the course, and an exit survey of participants indicated 98% understanding.

For All Employees of NEC Group Companies in Japan

In fiscal 2023, we initiated sustainable procurement training with the same content as our online training for all NEC employees. Approximately 6,200 people were eligible for the course in fiscal 2023.

For Personnel in Charge of Procurement at NEC Corporation and NEC Group Companies in Japan

In April 2022, an external instructor presented an online lecture titled "Human Rights Due Diligence in Supply Chains." A total of 250 people took the course, and an exit survey of participants indicated 99% understanding.

For Personnel in Charge of Procurement at Consolidated Subsidiaries abroad

Training for sustainable procurement was conducted at overseas regional headquarters and major local affiliated companies. In fiscal 2023, a total of 265 people took the course, and an exit survey of participants indicated 99% understanding.

Supply Chain Management

Grievance Mechanism					
GRI 406-1 414-2	NEC has given access to its Compliance Hotline, a means of reporting incidents and seeking consultation, to suppliers since 2003. In August 2021, NEC changed the hotline to include consultations about responsible procurement, including human rights, labour, occupational health and safety, and other topics. The privacy of the hotline users is protected by third-party involvement, while allowing for the voicing of grievances in business transactions and other consultations.				
	In fiscal 2023, a total of seven reports were issued via the Compliance Hotline about procurement issues. After verifying the relevant facts, all seven reports were dealt with appropriately.				
		FY2020	FY2021	FY2022	FY2023
	Compliance hotline: Number of reports	—	—	6	7

Since fiscal 2018, with the objective of rapidly identifying and rectifying compliance violations by NEC employees, NEC has disseminated to its suppliers a “Request for Cooperation toward Thorough Compliance,” seeking their cooperation in reporting any suspected violations. In fiscal 2022, we updated this to a “Request for Cooperation toward Thorough Compliance and Responsible Procurement,” seeking the cooperation of suppliers, thereby clarifying that the hotline can be used for issues related to responsible procurement in addition to compliance issues.

From fiscal 2023, NEC is participating in an industry-wide initiative for a collective grievance mechanism (JaCER) and is improving the effectiveness of the system in accordance with UNGP requirements.

Respecting Human Rights

Compliance Hotline (Whistleblowing system for employees and business partners)

Participation in Stakeholder Engagement Initiatives	
Participation in Activities with Other Companies	
One of our activities with other companies is participating in the Supply Chain Subcommittee of Global Compact Network Japan, where we frequently discuss the ideal form of sustainable procurement with various members, such as companies in different industries and NGOs, and carry out activities aimed at creating output that contributes to improvement.	We initiated a new activity in August 2022. NEC is serving as a leader company in the Sustainable Procurement Partnership Vision Task Force newly established within the CSR Committee of the Japan Electronics and Information Technology Industries Association (JEITA). The task force encourages understanding and initiatives among small and medium-sized enterprises, and discusses solutions to issues including enhanced policy efficiency and standardization that are relevant throughout the electrical and electronics industries.

Conflict Minerals	
Addressing the Issue of Conflict Minerals	
NEC seeks the understanding and cooperation of its suppliers for dealing with the problem of conflict minerals based on its Responsible Mineral Procurement Policy. Using the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT), ⁶ NEC conducts surveys of its suppliers to verify information about smelters and their use of tin, tantalum, tungsten and gold (3TG), cobalt and mica. In fiscal 2023, CMRT and EMRT surveys were conducted at 81% of the top-ranked suppliers in terms of procurement value in 2022 (excluding transactions with affiliates).	NEC continues to collaborate with industry as a member of the Responsible Mineral Trade Working Group led by JEITA. NEC participates in the working group’s Education and PR Team. In this capacity, we work to promote the understanding of conflict mineral issues among our suppliers.
<p>⁶ Survey and report templates of the Responsible Materials Initiative</p> <p><u>The NEC Group’s Responsible Mineral Procurement Policy</u></p> <p>Note: Included within Guidelines for Responsible Business Conduct in Supply Chains</p>	

Innovation Management

Innovation Management Policy

In an era of volatility, uncertainty, complexity and ambiguity (VUCA), we are faced with the question of how we can achieve the NEC 2030VISION. We believe that a key part of the answer lies in the idea of “seizing the future together,” multiplied by “technology.”

Our belief is that there are four key elements important for actually implementing technology in society: market intelligence, technology development, business development and social acceptance.

Therefore, NEC is working to expand R&D co-creation and open innovation, venturing into new domains to create businesses that can impact society, and acting as thought leaders.

Innovation Management Framework

NEC has created a Chief Technology Officer (CTO) position to establish a Companywide perspective in its effort to optimize development investment across the Company and link its corporate strategy with the planning of collaboration strategies with others. The CTO has overseen the creation of a framework for examining and promoting technology development strategies in cooperation with business units and the Research & Development Division.

We have established the Global Innovation Business Unit, which integrates our R&D, engineering, and business development capabilities to unify efforts at innovative business development and create new value for society with the world as our stage, by combining diverse knowledge that breaks through existing stereotypes.

In addition, NEC is ramping up research and development by deploying technologies outside the Company earlier and involving external partners. For example, NEC has established NEC X, Inc., which uses the Company’s personnel and technologies as the basis for advancing commercialization through open innovation in the Silicon Valley ecosystem. Other initiatives include our operation of a consortium of seven companies from different industries to establish BIRD INITIATIVE, Inc., which is increasing the pace of new business creation through research and development based on co-creation.

Internally, through collaboration with other units, the Global Innovation Business Unit is accelerating the establishment of businesses that capitalize on our core technologies to create social value.

R&D Bases Tasked with Creating Social Value Globally

With a view to leveraging the merits of a global network of bases for creating leading and unique technologies and formulating social solutions both for developed and emerging countries, we have established R&D bases in Japan, North America, Europe, China, India, Israel and Singapore.

R&D Bases

R&D Activities

We have set our investment in research and development at approximately 4% of revenue. To ensure that these investments are used effectively and efficiently, we are also investing in collaborations with external research institutions, in addition to concentrated investments in key business areas. In fiscal 2023, R&D expenses were 3.7% of revenue.

R&D expenses

R&D expenses (billion yen)	FY2020	FY2021	FY2022	FY2023
NEC Group	109.8	114.6	126.3	121.4

Major Research Achievements for Leading and Unique Core Technologies

Accelerating Social Value Creation: NEC’s AI Supercomputer

NEC technology greatly simplifies the process of registering new objects with AI-based image recognition.

Millimeter-level anomalies and degradation detected using satellites bridge displacement analysis technology using SAR and AI

NEC developed a technology that accurately recognizes from video a wide variety of work performed by multiple people.

NEC develops a gateless access control system using biometric recognition that authenticates large numbers of people to help alleviate congestion at busy entrances.

Open Innovation

To expand the scope of value in social value creation, we are actively promoting open innovation with research institutions around the world, as well as commercialization partners, start-ups and others. By promoting collaboration with external partners and specialist institutions, we envisage the development of the technologies needed for new businesses that are difficult for NEC Corporation to develop alone, as well as our vision for the future, and then backcast from there to study the key business areas of the next generation.

NEC X, which accelerates new business development for NEC, announced the launch of a new startup that provides an automated pruning solution for grape farmers.

DXAS, a joint venture between Kagome and NEC, provides AI farming management advice and automatic irrigation control services for pulse drip irrigation.

NEC and Keio University jointly created “Future Carbon Reduction Credits,” a new approach to converting future CO₂ reduction through disaster prevention and mitigation into tradable credits (financial products) with the aim of creating a decarbonized society.

KEMRI and NEC announce trials on biometric-based vaccination management system for newborn children in Kenya

Innovation Management

Open Innovation

Technology Development Strategy

At NEC Corporation, the CTO is responsible for overall technology development, optimizing development investment Companywide, drawing up an open innovation strategy, and formulating open innovation strategies and process design.

Research and development are a source of technological development. NEC's basic approach to research and development is to deliver value to society as quickly as possible by identifying the best solutions it should create for social issues presented in the SDGs and other guidelines, and then efficiently and rapidly aligning the necessary technology assets to realize them. These technology assets include NEC's No. 1/Only 1 core technologies that have been refined to a high level based on technology trends, as well as outstanding technologies actively incorporated from outside the Company through open innovation.

NEC's Approach to Business Innovation

Expose NEC's technologies externally at an early phase, taking in complementary technologies from start-ups and funds from customers/venture capital to accelerate research and development. Systematize the process of open innovation of an inbound/outbound fusion type and expand business entries and exits.

[NEC's Approach to Business Innovation](#)

Standardization Strategy

In order to expand business opportunities, NEC is strategically conducting standardization activities that promote the spread of advanced technologies and increase social acceptance. In key technological fields such as AI, biometric authentication, and information and communication, NEC people are leaders in standardization activities in Japan and overseas, serving in key positions such as chairpersons and board members of standardization committees. NEC promotes standardization policies in Japan by chairing councils of the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications. In addition, we are reinforcing our businesses by strengthening and utilizing standardization-related patents.

Concentrated Investment in Strong Technology Areas

We are concentrating investment in two areas of technology: data science and ICT platforms. NEC Corporation has many unique and competitive technology assets in these two areas, and we believe that continuously building strength in these areas will improve our competitive edge in delivering solutions for society.

[Integrated Report R&D](#)

[NEC the WISE](#)

[Biometric Authentication: Products & Solutions](#)

Business Development Strategy

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

We will realize significant social value and sustained growth through business development that establishes and implements new business models by taking social issues, in-house core technologies, or leading-edge business models as starting points, formulating hypotheses on issues, and then verifying the hypotheses through practical field testing.

Among these activities, NEC not only establishes businesses in-house but also promotes business development activities through joint ventures, spin-outs, and carve-outs and various other schemes.

Intellectual Property Activities

Intellectual Property Strategy

NEC is particularly strengthening its intellectual property in technology areas that drive growth businesses and create future growth pillars toward the realization of the NEC 2030VISION. Moreover, intellectual property is positioned as an important management asset for advancing business competitiveness, business stability and co-creation with customers and partners. For this reason, in addition to its patent rights and knowledge, the Company is reinforcing and utilizing its copyrights and trademark rights to support its global brand.

Intellectual Property Management Division: Strengthening NEC's Intellectual Property Capabilities

The Intellectual Property Management Division collaborates with IP managers in the Company's business units and Group companies and with intellectual property centers in North America, Europe and China in structuring an intellectual property implementation strategy for building and utilizing a global patent portfolio of growth businesses and cutting-edge technologies.

Intellectual Property Management Division

This division undertakes activities that enhance the value of NEC's overall patent portfolio by increasing the proportion of high-quality patents, acquiring new patents, and consistently managing the patent portfolio so that NEC holds the appropriate number of patents in appropriate countries according to the utilization policy.

Number of patents	FY2020	FY2021	FY2022	FY2023
NEC Group	Approx. 47,000	Approx. 46,000	Approx. 45,000	Approx. 42,000

Results of Intellectual Property Activities

- NEC received the Top 100 Global Innovator Award for a 12th consecutive year from Clarivate Analytics (Only 18 companies worldwide have received this recognition for 12 consecutive years).

[NEC has been recognized as one of Clarivate's Top 100 Global Innovators for 12 consecutive years.](#)

- First worldwide* in the number of international patent applications in the area of biometric authentication + image recognition + AI technology

* NEC survey covering international patent applications (PCT applications) published internationally as of January 2023

[Intellectual Property Activities](#)

Information Security and Cyber Security

Information Security and Cyber Security Policy

We recognize that it is our duty to protect the information assets entrusted to us by our customers and business partners as well as our own information assets in order to provide better products and services and contribute to the development of society. Based on this concept, NEC has positioned security—accurately referring to both information security and cyber security—as one of the critical subjects of “materiality,” its priority management theme from an ESG perspective and has established its Information Security Statement as the basis for driving efforts.

NEC has evaluated risks from various perspectives including the need for countermeasures as well as the possible damage both to corporate business and society, and has selected Priority Risks that will have huge impacts and that need to be addressed. With these risks in mind, we are deploying measures to counter cyber attacks that are becoming increasingly sophisticated, while complying with the Cybersecurity Management Guidelines Version 3.0 by Japan’s Ministry of Economy, Trade and Industry (METI) and the U.S. National Institute of Standards and Technology (NIST) Cybersecurity Framework Version 1.1.

Based on our information security implementation framework as well as on our Purpose that shows why as a company we conduct business, NEC is working to realize a secure information society and provide value to our customers.

Information Security Implementation Framework

Providing Secure Products, Systems and Services

NEC has structured processes and organizational frameworks for implementing secure development and operation of the products, systems and services it provides to customers. Our processes are based on the concept of Security by Design (SBD), and we implement processes and lifecycle management with due consideration of security from the planning stage through to the operation stage. Our security organizational frameworks involve the Cyber Security Strategy Department and information security managers assigned to each business department. We have established the Cybersecurity Management Rules to implement processes under these frameworks.

In addition, NEC ensures that it can continue to supply products, systems and services to its customers by addressing the risk of cyber attacks on the supply chain. This involves reviewing and strengthening security measures, including those of our business partners, based on our Information Security Standards for Business Partners.

Information Security Report

To protect information assets, NEC is taking the following approach:

- Implementing cyber attack measures
- Providing secure products, systems, and services
- Promoting information security in collaboration with business partners

At the same time, we have positioned information security management, information security infrastructure, and information security personnel as the three pillars of the information security governance framework within the NEC Group, thereby maintaining and improving our comprehensive and multilayered information security.

NEC Group Information Security Statement

Information Security Report

Materiality (Priority Management Themes from an ESG Perspective)

Information Security and Cyber Security

Medium- to Long-term Goals, Priority Activities and Progress, Achievements, and Issues

Medium- to Long-term Goals and Priority Activities (Scope: NEC Corporation unless otherwise specified) Period: April 2021 to March 2026

M: Major non-financial indicators related to materiality

- | | |
|---|---|
| <ul style="list-style-type: none"> 1. M: Strengthen measures against cyber attacks 2. M: Establish rules and governance for security proposal implementation • Human resource development: triple the number of Certified Information System Security Professionals (CISSP) • Strengthen supply chain security management | <ul style="list-style-type: none"> • Establish a safe system integration process 3. M: Eliminate security-related incidents caused by partner companies by inspecting their standards and enhancing cyber security measures |
|---|---|

FY2023 Goals, Progress, Achievements and Issues, and FY2024 Goals

FY2023 Goals

1. Response to national-level threats
 - Improve the NIST CSF¹ maturity level and BitSight score²
 - Realize zero trust security to support digital transformation (DX)
 - Evolve awareness and control
 - Enhance security implementation for in-house systems
1. NIST Cyber Security Framework
2. A cyber security risk score rating service provided by BitSight Technologies
2. Reform of the process for incorporating security implementation as part of business proposals, and release of the vulnerability management dashboard
- 3-1. Enhancing standards inspections
 - Increase number of companies subject to standards management from 1,500 to 2,000 and improve document inspection
 - Consider increasing number of company bases subject to on-site inspections from 100 to 200 and increase efficiency by utilizing online tools
- 3-2. Strengthening cyber security measures
 - Revise information security standards to conform with NIST SP 800 from FY2023
 - Hold information security briefing sessions to request security measure implementation from partner companies, and provide security improvement support
 - Conduct self-assessment of system security plans (SSP) for 1,800 companies

Progress, Achievements and Issues

1. Response to national-level threats
 - Achieved the target maturity level of NIST CSF and improved BitSight score
 - Completed the endpoint (terminal) management platform and SaaS Security Posture Management (SSPM) deployment and deployed multi-factor authentication (MFA) using biometric authentication
 - Completed software-defined wide area network (SD-WAN) deployment at major business locations
 - Visualized security implementation status for in-house systems

For more details, see the Information Security Report

2. Reform of the process for incorporating security implementation as part of business proposals, and release of the vulnerability management dashboard
 - 100% utilization of vulnerability management system in priority projects
 - The number of CISSP certified employees: about 300 (approximately double the number in FY2021)
 - Monitoring of security management systems and countermeasure status of suppliers based on our information security standards for business partners
 - Formulated and publicized Cybersecurity Management Rules and established organizational frameworks and processes
- 3-1. Enhancing standards inspections
 - Expanded the scope of management to 2,000 companies, improved document inspections
 - Expanded on-site inspections utilizing online tools to 202 companies
- 3-2. Strengthening cyber security measures
 - Revised information security standards based on NIST SP 800-171, and held briefing sessions for subsidiaries and key partners in Japan and overseas
 - Conducted the "SSP Study Group for Business Partners" to analyze the status of compliance with the new standards and promote improvements

FY2024 Goals

1. Driving information security transformation
 - Response to national-level threats
 - Improve NIST CSF maturity level and scores of third-party evaluations of the NEC Group
 - Realize zero trust security to support digital transformation (DX)
 - Roll out passwordless authentication
 - Promote the endpoint (terminal) management platform for data use
 - Evolve awareness and control
 - Strengthen communication
 - Implement regular exchanges of opinions among Group companies
 - Encourage frequent discussions in the workplace using original video content
 - Enhance on-site self-governance for critical information
2. Establishing, practicing and enhancing governance for security proposal implementation
 - Formulate vulnerability management processes that enable rapid risk identification
 - Develop and operate human resources development programs for personnel responsible for organizational management in compliance with the Cybersecurity Management Rules
 - Encourage employees to obtain advanced security professional certifications (e.g., CISSP)
 - Deploy security implementation measures for overseas subsidiaries
 - Promote the formulation of the Cybersecurity Management Rules at NEC Group companies
- 3-1. Strengthening cyber security measures
 - Enhance activities to comply with information security standards
 - Revise information security standards for business partners and promote improvements using system security plans (SSP)
 - Reduce security risks in the supply chain by introducing BitSight at NSP networking events
- 3-2. Strengthening information security for overseas partners
 - Roll out new standards for key partners in China, India and Vietnam
- 3-3. Enhancing standards inspections
 - On-site inspections: Scheduled to be conducted at 300 companies, an increase of 100 companies compared with the previous fiscal year
 - Document inspections: Review inspection items and increase the number of companies subject to inspection

Information Security and Cyber Security

Information Security and Cyber Security Framework

The NEC Group's information security implementation framework comprises the Information Security Strategy Committee, its subordinate organizations, and related organizations. Chaired by the Chief Information Security Officer (CISO), the Information Security Strategy Committee discusses, evaluates, and improves information security measures, investigates the causes of incidents, sets the direction of recurrence prevention measures, and discusses how to apply the results of its activities in the information security business. The committee also regularly briefs the president on the status of measures adopted by the committee to obtain approval. In addition, the committee is responsible for conducting annual penetration tests via a third-party organization in order to assess vulnerability risks, and regular audits of all Internet servers four times a year. These actions ensure that vulnerabilities are dealt with in a timely manner.

The corporate executive who assists the CISO oversees the Corporate CISO office, which promotes information security measures, and the Computer Security Incident Response Team (CSIRT), which monitors for cyber attacks and resolves incidents quickly whenever they occur. The Information Security Promotion Committee and working groups plan and promote security implementation, discuss and coordinate implementation measures, ensure that all instructions are followed, and manage the implementation progress of measures, among other things.

The Information Security Managers in each organization have responsibility for ensuring information security for the relevant organizations including the Group companies under their supervision. They make efforts to ensure that rules are understood within their organizations, introduce and deploy measures, while continuously checking and reviewing the implementation progress to improve the situation.

[The NEC Group's Information Security Implementation Framework](#)

[Information Security Report](#)

Information Security Management

Information Security Management

To facilitate the establishment of a variety of Groupwide measures, we have introduced an information security management system and security policy, both of which we make every effort to maintain and improve.

Information Security Risk Assessment

The NEC Group conducts risk assessments and implements countermeasures by analyzing deviations from baseline criteria and, depending on the situation, carrying out more detailed risk analysis, with both methods conducted in a proper manner. First, we ensure that security is implemented in line with criteria that serve as a baseline, and when more advanced management is necessary, we conduct a detailed risk analysis.

Risk Management for Information Security Incidents

Information security incidents are subject to mandatory reporting. The contents of these reports are analyzed, and the results are put through a PDCA cycle for risk management assessment. Incident information is centrally managed for the entire NEC Group, and changes in the number of incidents, trends by organization and type of incident, and other data are analyzed. From there, NEC reflects this analysis in Groupwide measures while also measuring the impact of these incidents.

Critical Information Management

The NEC Group manages critical information based on the concept of the Three Lines Model, using its scheme for clarifying the roles of the three lines in managing critical information. The NEC Group has a framework to classify and manage the corporate secrets it handles based on the secrecy level. Each organization checks details of all the information it handles, and clearly identifies its secrecy level to ensure that all necessary information is properly managed. We also have rules for handling, storing and managing critical information according to importance, as well as thorough measures to prevent information leaks.

[Risk Management for Information Security Incidents](#)

[Information Security Report](#)

Information Security Rules

NEC has laid out the NEC Group Management Policy as a set of comprehensive policies for the entire Group. We have released the NEC Group Information Security Statement and established and streamlined a variety of rules, including overall information security rules, trade secret control rules, and IT security rules.

[Information Security Report](#)

Information Security Education and Awareness Training

NEC provides a web-based training course on information security and personal information protection (including protection of people's personal identification numbers, namely, "My Numbers" in Japan) for all NEC Group employees to increase knowledge and skills in the information security field. The content of the training is updated every year to reflect the trends of information security including emerging threats and how to respond to them, security measures required in remote work, and appropriate ways of handling information.

[Information Security Report](#)

Information Security and Cyber Security

Information Security Management

Enhancing Information Security Management at Partner Companies

The NEC Group conducts its business activities in collaboration with business partners. In these collaborations, we believe it is important to ensure that the technology capabilities and information security level of the business partners meet our required standards. To this end, NEC categorizes its business partners by information security level based on the implementation status of their information security measures. In selecting business partners for a project appropriately, we check the information security level to outsource tasks, thus reducing risks of information security incidents occurring at business partners.

The NEC Group requires business partners to implement information security measures classified into seven categories: 1) contract management, 2) subcontracting management, 3) staff management, 4) information management, 5) technology deployment, 6) security implementation, and 7) assessments. In subcontracting management, the basic agreement stipulates that business partners may not subcontract work to other companies unless they obtain written permission in advance from the organization that outsourced the work to them. In addition, we have clarified the framework for each project by obligating business partners to submit subcontractor confirmation documents. If subcontracting is necessary, we insist on the same level of security for subcontractors that we require for business partners.

Using these measures, we reduce risks of information security incidents occurring at business partners. In addition, we conduct document security survey checks and on-site inspections for business partners. We also check whether the information security standards we require are met, and provide guidance for improvement.

Every year we review inspection items in light of any incident trends or in consideration of the business partner, issue a report of the inspection results and provide the business partner with feedback, and follow up on any issues that require improvement.

Information Security Report

Information Security Certification

NEC has aligned its overall information security rules with the international standard ISO/IEC 27001 (main sections [Requirements] and Annex A [Information security controls]) and manages information security in accordance with these rules. We have also acquired ISMS certification (ISO 27001) for almost 100% of our business divisions, including medical, financial, cloud and government and public businesses, for which information security is critical.

Measures against Cyber Attacks

As cyber attacks grow increasingly complex and sophisticated, the NEC Group focuses on the protection of information assets entrusted by customers and business partners as well as its own. To this end, we have implemented total cyber security management by conducting uniform and advanced measures worldwide based on cyber security analysis, and established an incident response framework with CSIRT.

In particular, given that NEC creates and provides social solutions for countries worldwide, a single information security incident caused by a cyber attack or any other factor could diminish the social trust of the entire NEC Group and materially affect its business management. For this reason, we view a comprehensive and global approach to cyber security risks as essential for our business continuity.

We are strengthening our global measures against increasingly sophisticated cyber attacks based on a multilayered defense approach, with particular emphasis on the following.

Cyber Risk Assessments by “Red Team”

- The NEC Group utilizes “Red Team” to conduct regular cyber risk assessments with the aim of improving cyber resilience and accountability.
- Red Team conducts a global assessment consisting of three investigations on 1) the management status of critical information, 2) risks that allow us to perform a three-pronged investigation into management of important information and that include public server vulnerabilities and data leakage, and 3) internal and external security breaches from an attacker's point of view. We can then make a global assessment, identify security risks we overlooked in our security measures and operations, and take actions for implementing improvements.
- We employ audit organizations and security specialists to conduct third-party attack diagnoses.

Generating and Utilizing Threat Intelligence

- Our team of cyber threat intelligence (CTI) specialists possesses an understanding of the threats facing NEC, detects their early signs as well as their precursors, and implements advanced proactive defense measures.
- The CTI team leverages the endpoint detection and response (EDR) tools deployed at all NEC Group companies, the network detection and response (NDR) that CSIRT independently developed, and a log analysis platform to hunt for unknown threats. The team has also created a research environment to enhance its ability to generate unique CTI proactively and analyze threats in detail.

Enhancing Organizational Security Resilience

- We conduct training that addresses targeted email attacks to ensure that employees are prepared for ransomware and other global threats.
 - We have developed a manual that provides the basis for comprehensive training exercises to ensure a rapid response if a ransomware attack occurs.
- Relevant departments and specialists hold training exercises at least every six months in preparation for a security incident.

Cyber Security Dashboard Drives Culture Change

- Released and made available to all employees, our cybersecurity dashboard visualizes the status of cyber attacks on the NEC Group, threat intelligence information, and the security risk status of each company and division.
- The dashboard is designed to improve security awareness by having all employees understand the risks.
- Members of senior management use the dashboard at meetings to help accelerate management decisions and manage security personnel more effectively.

Information Security Report

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No.181.001632-1

Independent Verification Report

ANNEX (2/2)

To: NEC Corporation

The organizational boundaries – Overview:

1	NEC Corporation of America
2	NEC Canada, Inc.
3	NEC Laboratories America, Inc.
4	NEC Latin America S.A.
5	NEC Argentina S.A.
6	NEC C&S S.A.
7	NEC de Colombia S.A.
8	NEC de Mexico, S.A.de C.V.
9	NEC Europe Ltd.
10	NEC Deutschland GmbH
11	NEC Europe France S.R.L.
12	NEC France S.A.S.
13	NEC Korea Ltd.
14	NEC India S.p.A.
15	NEC Corporation Europe GmbH
16	NEC Portugal Informatica e Servicos, S.A.
17	NEC Scandinavia AB
18	NEC Telecommunications & Information Technology Ltd.
19	NEC S.R.L.
20	NEC XON Holdings (Proprietary) Limited
21	NEC South Korea Ltd.
22	日电(中国)投资有限公司 (NEC (China) Co., Ltd.)
23	日电(香港)有限公司 (NEC Solutions (China) Co., Ltd.)
24	日电(中国香港)有限公司 (日电(中国香港)投资有限公司)
25	NEC Taiwan Ltd. (日电(台湾)有限公司)
26	NEC Trans Pacific Pty. Ltd.
27	NEC Corporation of Malaysia Sdn.Bhd.
28	NEC Corporation (Thailand) Ltd.
29	NEC Corporation India Private limited
30	NEC Philippines Inc.
31	NEC Vietnam Company Limited
32	PT NEC Indonesia
33	NEC Australia Pty Ltd
34	NEC New Zealand limited
35	Neosonic Technology Corporation
36	S&M S.A.
37	日电(泰国)电子有限公司 (AJE Taiwan, Ltd.)
38	日电(泰国)电子有限公司 (AJE Wroton, Ltd.)
39	日电(泰国)有限公司 (AJE Wroton Co., Ltd.)
40	日电(泰国)有限公司 之 泰国 有限公司 (NEC Advanced Software Technology(Singapore)Co.,Ltd.)
41	日电(泰国)有限公司 (NEC Soft (Siam) Co., Ltd.)
42	日电(泰国)有限公司 之 泰国 有限公司 (NEC Platform Technology(Singapore)Co., Ltd.)
43	日电(泰国)有限公司 (NEC Platform Tech Co., Ltd.)

*Please refer to the main report.

Page 3 of 3

External Ratings and Evaluations


External Ratings and Evaluations

NEC is included in world-renowned Environmental, Social, and Governance (ESG) indices, and has received numerous ESG-related external ratings and evaluations. (As of June 2023)

Dow Jones Sustainability Indices (World, APAC)

 DJSI Index family

FTSE4Good Index Series

 FTSE4Good Index Series

MSCI ESG Leaders Indexes

 MSCI ESG Leaders Indexes

Euronext Vigeo World 120

 EN Vigeo World 120

ISS ESG Corporate Rating

 ISS ESG Corporate Rating

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

NEC has been included on the “A List” for both Climate Change and Water Security for four years in a row. Furthermore, NEC has been listed as a “Supplier Engagement Leader” in the Supplier Engagement Rating on climate issues for three consecutive years.

 CDP

EcoVadis (Platinum)

NEC has been awarded the “Gold” sustainability ranking every year since 2012, placing the Company among the top 5% of companies assessed by EcoVadis. Since 2020, we have been awarded the “Platinum” ranking, which places NEC among the top 1% of companies assessed worldwide.

 EcoVadis

“L-boshi” Certification

“L-boshi” Certification is the recognition by Japan’s Ministry of Health, Labour, and Welfare. In April 2016, NEC became the first company to receive the “3-star” mark, the highest level under the “L-boshi” certification program, by meeting all five criteria for certification: recruitment, continued employment, working hours, percentage of women in managerial positions, and diversity of career courses.

Next-generation Support Certification Mark “Platinum Kurumin”

NEC received the “Kurumin” certification as the recognition by Japan’s Ministry of Health, Labour, and Welfare in 2007, 2012, and 2015.

In 2018, NEC Corporation received the “Platinum Kurumin” certification for continuing the introduction and utilization of suitable work-life balance support systems, and for carrying out these initiatives to an exceptionally high standard. To receive the “Platinum Kurumin” certification, organizations must already have received “Kurumin” certification.

Health & Productivity Stock Selection

NEC Corporation was included in the Health & Productivity Stock Selection by Japan’s Ministry of Economy, Trade and Industry for the first time in 2022.

Certified Health and Productivity Management Organization Recognition Program

NEC Corporation has been recognized as a Certified Health and Productivity Management Organization by Japan’s Ministry of Economy, Trade and Industry from 2018 to 2023, and was certified as a top-ranking (White 500) company in 2018, 2019, 2021, 2022 and once again in 2023.

NEC Awarded “Gold” in PRIDE Index 2022

NEC was awarded the highest rating of “Gold” in PRIDE Index 2022 in Japan. We met the evaluation criteria for all indices: a declaration of conduct, a community of concerned parties, awareness-raising activities, human resource systems and programs, and social contributions and liaison activities.

Sports Yell Company

In 2017, the Japan Sports Agency established a certification system to support companies that are actively promoting measures to improve employees’ health through sport. NEC received certification in 2017, 2021 and 2023.

Other External Evaluations

Main Awards and Accreditation for Corporate Citizenship Activities

Environmental Ratings by External Organizations (Latest Rating/Ranking)

Comparison Table

Comparison Table: GRI Standards

This report reflects the Global Reporting Initiative (GRI) Sustainability Reporting Standards.
For more details: <https://www.globalreporting.org/>

	ID	Required reporting item	Corresponding data
General Disclosures			
GRI 2: General Disclosures 2021	1. Organizational profile		
	2-1	Organizational details	About NEC > Corporate Profile > Profile
	2-2	Entities included in the organization's sustainable reporting	Annual Securities Report (Japanese only) About NEC > Corporate Profile > NEC Worldwide
	2-3	Reporting period, frequency and contact point	About NEC > Sustainability > Information Disclosure Policy
	2-4	Restatements of information	No change from previous report
	2-5	External assurance	Third-party Assurance
	2. Activities and workers		
	2-6	Activities, value chain and other business relationships	Dialogue and Co-creation with Our Stakeholders
	2-7	Employees	Inclusion and Diversity
	2-8	Workers who are not employees	Inclusion and Diversity
	3. Governance		
	2-9	Governance structure and composition	Corporate Governance
	2-10	Nomination and selection of the highest governance body	Corporate Governance
	2-11	Chair of the highest governance body	Corporate Governance About NEC > Corporate Profile > Management
	2-12	Role of the highest governance body in overseeing the management of impacts	Management for Sustainability
	2-13	Delegation of responsibility for managing impacts	Management for Sustainability
	2-14	Role of the highest governance body in sustainability reporting	Management for Sustainability
	2-15	Conflicts of interest	Corporate Governance Report
	2-16	Communication of critical concerns	Risk Management Compliance
	2-17	Collective knowledge of the highest governance body	Management for Sustainability Materiality (Priority Management Themes from an ESG Perspective)
	2-18	Evaluation of the performance of the highest governance body	Management for Sustainability Corporate Governance Report
	2-19	Remuneration policies	About NEC > Corporate Profile > Corporate Governance > Management > Remuneration for Directors and Executive Officers
	2-20	Process to determine remuneration	About NEC > Corporate Profile > Corporate Governance > Management > Remuneration for Directors and Executive Officers
	2-21	Annual total compensation ratio	—

	ID	Required reporting item	Corresponding data
	4. Strategy, policies and practices		
	2-22	Statement on sustainable development strategy	About NEC > Sustainability > Message from the President and CEO Management for Sustainability
	2-23	Policy commitments	NEC Group Human Rights Policy Management for Sustainability
	2-24	Embedding policy commitments	Respecting Human Rights
	2-25	Processes to remediate negative impacts	Respecting Human Rights
	2-26	Mechanisms for seeking advice and raising concerns	Respecting Human Rights Risk Management Compliance
	2-27	Compliance with laws and regulations	Compliance
	2-28	Membership associations	Participation in International Initiatives Dialogue and Co-creation with Our Stakeholders
	5. Stakeholder engagement		
	2-29	Approach to stakeholder engagement	Management for Sustainability Dialogue and Co-creation with Our Stakeholders
	2-30	Collective bargaining agreements	Annual Securities Report (Japanese only) Securing and Retaining Employees and Labour Practices
	GRI 3: Material Topics 2021		
	3-1	Process to determine material topics	Materiality (Priority Management Themes from an ESG Perspective)
	3-2	List of material topics	Materiality (Priority Management Themes from an ESG Perspective)
	3-3	Management of material topics	Materiality (Priority Management Themes from an ESG Perspective)
200: Economic			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Investor Relations > Financial Documents
	201-2	Financial implications and other risks and opportunities due to climate change	Initiatives to Reduce Environmental Impact
	201-3	Defined benefit plan obligations and other retirement plans	Annual Securities Report (Japanese only)
	201-4	Financial assistance received from government	—
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—
	202-2	Proportion of senior management hired from the local community	NEC Europe Ltd. and NEC in the UK (Chris Jackson, President and CEO) NEC Corporation of Malaysia (Chong Kai Wooi, Managing Director)
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Corporate Citizenship Activities
	203-2	Significant indirect economic impacts	NEC actions to achieve SDGs

Comparison Table

	ID	Required reporting item	Corresponding data
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	—
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Compliance
	205-2	Communication and training about anti-corruption policies and procedures	Compliance Supply Chain Management
	205-3	Confirmed incidents of corruption and actions taken	Compliance
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance
GRI 207: Tax 2019	207-1	Approach to tax	Compliance
	207-2	Tax governance, control and risk management	Compliance
	207-3	Stakeholder engagement and management concerns related to tax	Compliance
	207-4	Country-by-country reporting	—
300: Environment			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Overview of Environmental Impact
	301-2	Recycled input materials used	Overview of Environmental Impact
	301-3	Reclaimed products and their packaging materials	Initiatives to Reduce Environmental Impact Overview of Environmental Impact
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Overview of Environmental Impact Environmental Data
	302-2	Energy consumption outside of the organization	Overview of Environmental Impact Environmental Data
	302-3	Energy intensity	Overview of Environmental Impact Environmental Data
	302-4	Reduction of energy consumption	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	302-5	Reductions in energy requirements of products and services	Environmental Management Initiatives to Reduce Environmental Impact Overview of Environmental Impact
	302-6	Energy intensity	Overview of Environmental Impact Environmental Data
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Initiatives to Reduce Environmental Impact
	303-2	Management of water discharge-related impacts	Environmental Management Initiatives to Reduce Environmental Impact
	303-3	Water withdrawal	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	303-4	Water discharge	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	303-5	Water consumption	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data

	ID	Required reporting item	Corresponding data
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity
	304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity
	304-3	Habitats protected or restored	Biodiversity
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Environmental Management Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	305-2	Indirect (Scope 2) GHG emissions	Environmental Management Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	305-3	Other indirect (Scope 3) GHG emissions	Environmental Management Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	305-4	GHG emissions intensity	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	305-5	Reduction of GHG emissions	Environmental Management Overview of Environmental Impact Environmental Data
	305-6	Emissions of ozone-depleting substances (ODS)	Initiatives to Reduce Environmental Impact
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Management Overview of Environmental Impact Environmental Data
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Initiatives to Reduce Environmental Impact
	306-2	Management of significant waste-related impacts	Initiatives to Reduce Environmental Impact
	306-3	Waste generated	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	306-4	Waste diverted from disposal	—
	306-5	Waste directed to disposal	Initiatives to Reduce Environmental Impact
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	—
	308-2	Negative environmental impacts in the supply chain and actions taken	Environmental Management
400: Social			

Comparison Table

	ID	Required reporting item	Corresponding data
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Securing and Retaining Employees and Labour Practices
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Securing and Retaining Employees and Labour Practices
	401-3	Parental leave	Securing and Retaining Employees and Labour Practices
GRI 402: Labour/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Securing and Retaining Employees and Labour Practices
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
	403-3	Occupational health services	Occupational Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety
	403-5	Worker training on occupational health and safety	Occupational Health and Safety
	403-6	Promotion of worker health	Occupational Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety Quality and Safety
	403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety
	403-9	Work-related injuries	Occupational Health and Safety
	403-10	Work-related ill health	Occupational Health and Safety
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Human Resource Development
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Resource Development
	404-3	Percentage of employees receiving regular performance and career development reviews	Securing and Retaining Employees and Labour Practices Human Resource Development
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Inclusion and Diversity Corporate Governance
	405-2	Ratio of basic salary and remuneration of women to men	Securing and Retaining Employees and Labour Practices
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Respecting Human Rights Customer Relationship Management Supply Chain Management

	ID	Required reporting item	Corresponding data
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Risk Management Compliance Supply Chain Management
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Risk Management Supply Chain Management
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Risk Management Compliance Supply Chain Management NEC Group Modern Slavery and Human Trafficking Statement
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	—
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	—
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Dialogue and Co-creation with Our Stakeholders Corporate Citizenship Activities
	413-2	Operations with significant actual and potential negative impacts on local communities	—
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Supply Chain Management Guidelines for Responsible Business Conduct in Supply Chains
	414-2	Negative social impacts in the supply chain and actions taken	Compliance Supply Chain Management
GRI 415: Public Policy 2016	415-1	Political contributions	Compliance
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Quality and Safety
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Important information from NEC (Japanese only)
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Quality and Safety
	417-2	Incidents of non-compliance concerning product and service information and labeling	Quality and Safety
	417-3	Incidents of non-compliance concerning marketing communications	Customer Relationship Management
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal Information Protection and Privacy data

Comparison Table

Comparison Table: UN Global Compact

UN Global Compact Principles			Corresponding data
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	Inclusion and Diversity Respecting Human Rights AI and Human Rights Supply Chain Management
	Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Inclusion and Diversity Respecting Human Rights Securing and Retaining Employees and Labour Practices Occupational Health and Safety Supply Chain Management
	Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	
	Principle 5	Businesses should uphold the effective abolition of child labour.	
	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	

UN Global Compact Principles			Corresponding data
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges.	Environmental Management Initiatives to Reduce Environmental Impact Biodiversity
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Compliance Risk Management

Comparison Table: SASB Standards

The table below compares the SASB sustainability disclosure topics, accounting metrics and activity metrics with NEC's sustainability initiatives.

Disclosure topic	Accounting metric	Code	Corresponding data
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed (2) Percentage of grid electricity (3) Percentage of renewable	TC-SI-130a.1	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	(1) Total water withdrawn (2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-SI-130a.2	Initiatives to Reduce Environmental Impact Overview of Environmental Impact Environmental Data
	Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	Initiatives to Reduce Environmental Impact
Data Privacy & Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Customer Relationship Management
	Number of users whose information is used for secondary purposes	TC-SI-220a.2	—
	Total amount of monetary losses as a result of legal proceedings associated with user privacy	TC-SI-220a.3	Personal Information Protection and Privacy
	(1) Number of law enforcement requests for user information (2) Number of users whose information was requested (3) Percentage resulting in disclosure	TC-SI-220a.4	—
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	TC-SI-220a.5	—
Data Security	(1) Number of data breaches (2) Percentage involving personally identifiable information (PII) (3) Number of users affected	TC-SI-230a.1	Personal Information Protection and Privacy

Disclosure topic	Accounting metric	Code	Corresponding data
Data Security	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-SI-230a.2	Personal Information Protection and Privacy Information Security and Cyber Security
Recruiting & Managing a Global, Diverse & Skilled Workforce	Percentage of employees that are (1) foreign nationals and (2) located offshore	TC-SI-330a.1	Inclusion and Diversity
	Employee engagement as a percentage	TC-SI-330a.2	Materiality (Priority Management Themes from an ESG Perspective) Inclusion and Diversity Human Resource Development
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.2	Inclusion and Diversity
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations		Risk Management Compliance
Managing Systemic Risks from Technology Disruptions	Number of (1) performance issues; (2) service disruptions; and (3) total customer downtime		—
	Description of business continuity risks related to disruptions of operations		Risk Management

Activity Metrics

Activity metric	Code	Corresponding data
(1) Number of licenses or subscriptions (2) Percentage of cloud-based		—
(1) Data processing capacity (2) Percentage of outsourced		—
(1) Amount of data storage (2) Percentage of outsourced		—

Comparison Table

Comparison Table: ISO 26000

At NEC, departments that carry out functions related to each sustainability issue are in charge of promoting initiatives related to those issues. While referencing the core subjects of ISO 26000 (organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development), the Company works to evaluate the importance of its own sustainability issues and make improvements.

Core subject	Issue	Corresponding data
Organizational Governance	Organizational Governance	Management for Sustainability Quality and Safety Corporate Governance Risk Management Compliance Supply Chain Management Information Security and Cyber Security
Human Rights	1. Due diligence 2. Human rights risk situations 3. Avoidance of complicity 4. Resolving grievances 5. Discrimination and vulnerable groups 6. Civil and political rights 7. Economic, social and cultural rights 8. Fundamental principles and rights at work	Inclusion and Diversity Securing and Retaining Employees and Labour Practices Respecting Human Rights Risk Management Compliance Supply Chain Management
Labour Practices	1. Employment and employment relationships 2. Conditions of work and social protection 3. Social dialogue 4. Health and safety at work 5. Human development and training in the workplace	Inclusion and Diversity Securing and Retaining Employees and Labour Practices Human Resource Development Occupational Health and Safety
Environment	1. Prevention of pollution 2. Sustainable resource use 3. Climate change mitigation and adaptation 4. Protection of the environment, biodiversity and restoration of natural habitats	Environmental Management Initiatives to Reduce Environmental Impact Biodiversity

Core subject	Issue	Corresponding data
Fair Operating Practices	1. Anti-corruption 2. Responsible political involvement 3. Fair competition 4. Promoting social responsibility in the value chain 5. Respect for property rights	Risk Management Compliance Supply Chain Management
Consumer Issues	1. Fair marketing, factual and unbiased information and fair contractual practices 2. Protecting consumers' health and safety 3. Sustainable consumption 4. Consumer service, support, and complaint and dispute resolution 5. Consumer data protection and privacy 6. Access to essential services 7. Education and awareness	Respecting Human Rights AI and Human Rights Personal Information Protection and Privacy Customer Relationship Management Quality and Safety
Community Involvement and Development	1. Community involvement 2. Education and culture 3. Employment creation and skills development 4. Technology development and access 5. Wealth and income creation 6. Health 7. Social investment	Management for Sustainability Dialogue and Co-creation with Our Stakeholders Corporate Citizenship Activities Innovation Management

\Orchestrating a brighter world

NEC

NEC Corporation
Stakeholder Relations Department
Sustainability Strategy Planning Office

7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Email: nec_sus@dmsig.jp.nec.com
Phone: +81-3-3454-1111

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