

Briefing on ESG

Development of Robust Financial and Non-financial Measurement Methodologies for Sustainable Growth

NEC

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Purpose

\Orchestrating a brighter world

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

Strategy

EBITDA Growth rate: 9% Annual average

NEC's growth model

"Maximizing long-term profit" and
"optimizing short-term profit"

Non-financial measurement
methodologies for sustainable growth

Culture

50% Engagement score

Transformation of People and Culture
Establishment of Business Infrastructure

Creation of a Shared Vision for
a Brighter Future with Customers

— Reinforce non-financial measurement methodologies to underpin for sustainable growth of the company and society

Continuously incorporate ESG indexes as indicators of risk minimization and value maximization initiatives

	Key themes (Materiality)	Main initiatives	FY2025* ¹ KPIs
E	Climate change (Decarbonization)	<ol style="list-style-type: none">1. Acceleration of environmental management toward achievement of the SBT*² 1.5 degrees by 20302. Contribution to CO₂ reduction through customer DX	<ol style="list-style-type: none">1. 33.6% reduction*³ (Compared to FY2017)
S	Security AI & human rights Diverse Human resources	<ol style="list-style-type: none">1. Development of human resources in advanced security to handle social infrastructure2. AI provision and utilization prioritizing respect for human rights	<ol style="list-style-type: none">1. Doubling of internationally certified personnel2. Incorporated initiatives based on the AI and Human Rights Principles
G	Corporate governance Supply chain sustainability Compliance	<ol style="list-style-type: none">1. Further improvement of transparency of corporate governance2. Strengthening of collaboration with suppliers from a human rights/environmental perspective3. Eradication of serious compliance incidents	<ol style="list-style-type: none">2. Suppliers agreeing to the procurement guideline: 75%*⁴3. No. of serious incidents: 0

*1 Fiscal year ending March 2026 *2 Science-based targets *3 Scopes 1 and 2 *4 Ratio based on the procurement amount

— Included in all major ESG indexes

Further reinforce initiatives in non-financial capitals that contribute to financial performance

**Dow Jones Sustainability Indices
(World, Asia Pacific)**

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FTSE4Good Index Series



FTSE4Good

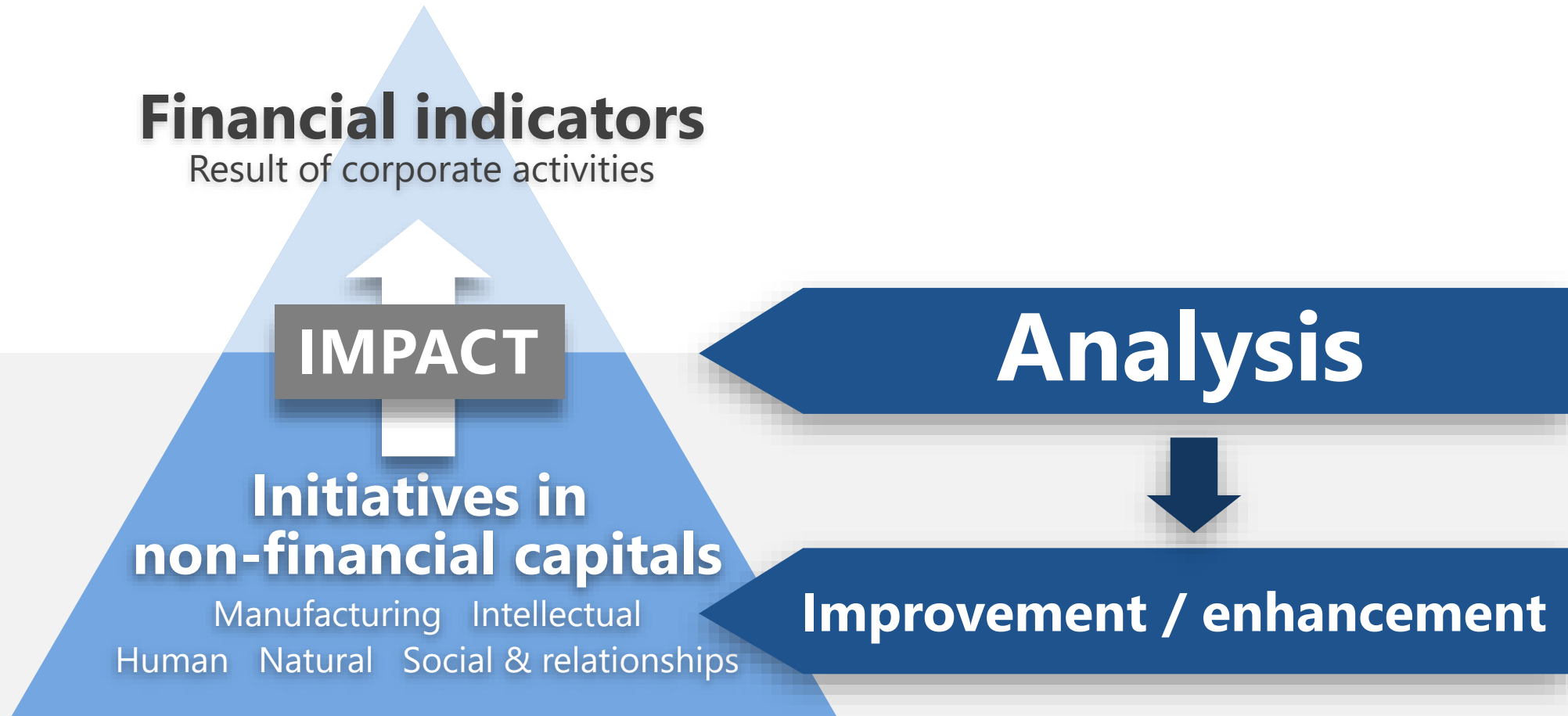
MSCI ESG Leaders Indexes

2021 MSCI ESG Leaders
Indexes Constituent

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— Toward the development of non-financial measurement methodologies for sustainable growth

Develop resilient financial measurement methodologies from a mid- and long-term perspective



— Toward the development of non-financial measurement methodologies for sustainable growth

Analyzing the impact of non-financial indicators on financial indicator (PBR)



Collaboration with Abeam to analyze
273 non-financial indicators*
within the NEC Group An average amount of data for 7.34 years

Analysis

25 non-financial indicators
contribute to increase of PBR

Indicators related to the human capitals were
the most positively correlated with PBR

Indicators related to the human capitals

Financial indicators

Increase the number of female department heads or higher* by 1%

3.3% increase in PBR in 7 years

Increase in training days per employee* by 1%

7.24% increase in PBR In 5 years

* Figures for NEC Corporation on a non-consolidated basis

Analyzing human capital using Causal Analysis

Causal Analysis: NEC's proprietary AI technology

Improving employee engagement

Team members' personal discretion

*Findings from the engagement survey

To uncover the factors behind team members' individual discretion, we revealed behavioral factors required of people managers by analyzing 360-degree assessment result.

Personal discretion

- Discovering issues
- Internal collaboration
- Affective empathy
- On-the-spot decision-making
- Career vision
- Psychological safety
- Common philosophy
- Challenges and recommendations
- Risk assessment
- Rapid decision-making
- Sense of ownership
- Building relationships

and more

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Causal Analysis: NEC's proprietary AI technology

Improving employee engagement

Team members' personal discretion

Team psychological safety

People manager's communication that
elicit emotional empathy from team members

Results

How team
members
feel

B33_Personal discretion

B30_Psychological safety

B09_Affective empathy

Challenges

Collaboration

Problem-solving skills

Transformation

Communication

Quick

Ownership

*Created using NEC's Causal Analysis

N=1,916
RMSEA=0.04
CFI=0.96

Human capital

Promote, enhance, and improve Initiatives that lead to the engagement score of 50%
Expand the analysis target globally to cover the entire group

Natural capital

Quantify the financial impact on business
through visualization of CO₂ emissions or other means

Develop resilient financial measurement methodologies from a mid- and long-term perspective to promote sustainable growth



Promote more appropriate investment for initiatives in non-financial capitals

Analyze the impact of initiatives in non-financial capitals on mid- and long-term financial performance

Sustainability Promotion Division

A new division established as a corporate planning function in April 2021

It promotes non-financial efforts to enhance corporate value from a mid- and long-term perspective, with the focus on materiality

