

Shift up

Elevating society

ANNUAL REPORT 2024

NEC Networks & System Integration Corporation



Our Vision

NEC Networks & System Integration Corporation Group Statement

The NEC Networks & System Integration Corporation Group enables communities throughout the world to enjoy a safe, secure, and plentiful tomorrow by continually facilitating more welcoming and convenient communications, and supporting a connected society, from the floor of the ocean to the far reaches of outer space, with proven technologies and reliable services cultivated over many years.

Contents

Introduction

- 01 Our Vision / Contents
- 02 Our History
- 04 NESIC's Strengths
- 05 At a Glance
- 06 Message from the Chairman of the Board
- 10 Message from the President
- 12 Roundtable Discussion among Outside Directors
- 16 Our Connection to Daily Life

NESIC's Growth Strategy

- 18 Materiality
- 20 Value Creation Model
- 22 Materiality Matrix
- 24 Initiatives to Provide Value to Society through 2030
- 26 Special Feature 1
Taking on Challenges through Industry-Academia Collaboration: A Society in Which No Person Is Left Behind
- 28 Special Feature 2
Supporting Workstyle Innovation by Shifting Processes to the Cloud: Moving Forward Together as Good Partners
- 30 NESIC's Strategic Road Map
- 32 Progress of Medium-Term Management Plan Shift up 2024
- 38 NESIC Segments
- 39 Overview by Business Segment
 - DX Solutions Business
 - Network Solutions Business
 - Environmental & Social Solutions Business



We strive to realize a connected society in which communities throughout the world freely exchange broad-ranging information and ideas, enabling them to enjoy a safe, secure, and plentiful tomorrow, by facilitating welcoming and convenient communications. We will also continue to be a company that is trusted by customers and society in every era. This declaration reflects our desire and determination to do so.

Foundations for Growth

- 42 Financial and Capital Strategy
- 46 Environment
- 54 Social
Human Capital Initiatives
- 60 Social
Initiatives for Accelerating Innovation
- 62 Social
Communication with Stakeholders
- 64 Financial and Non-Financial Highlights

Governance

- 66 Corporate Governance
- 74 Directors and Corporate Auditors

Corporate Data

- 76 Consolidated Ten-Year Summary
- 78 Key Non-Financial Data
(Non-Consolidated Basis)
- 79 Supplemental Information for
Annual Report 2024
- 80 Stock Information
- 81 Corporate Overview

Period Covered

April 1, 2023 to March 31, 2024
(Certain information related to the period following that noted above is also included.)

Scope of Report

NEC Networks & System Integration Corporation and consolidated subsidiaries

Guidelines

- IFRS Foundation (Integrated Reporting Framework)
- Global Reporting Initiative (GRI Standard)
- IFRS Foundation (Materiality Map)
- ISO 26000 (Guidance on social responsibility)
- Guidance for Collaborative Value Creation 2.0

Issue Date

September 2024 (Japanese)
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Sustainability-Related Information

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Disclaimer

This report contains forecasts, outlooks, targets, plans, and other forward-looking statements concerning the business performance, financial condition, and other aspects of the management of the NEC Networks & System Integration Corporation Group. These forward-looking statements are based on information NEC Networks & System Integration Corporation had as of the time this report was prepared and on certain premises judged to be reasonable. These judgments and premises, by their nature, are subjective and characterized by uncertainty. Furthermore, forward-looking statements are not guarantees of future results and actual performance could be greatly affected by various factors.

Note: Company names, product names, and logos contained in this report are the trademarks or registered trademarks of the respective companies.

Note: Department names and job titles are accurate as of September 30, 2024.



NESIC celebrated its 70th anniversary in December 2023. The commemorative logo uses the motif of the earth to express our desire to continue to be a company that creates value for people and the earth. We will continue to work to create new value through our business activities and to realize a sustainable society.

Our History

NESIC is committed to realizing an inclusive and sustainable society created through communication as a communication services orchestrator. We have continued to change and grow, adding new strengths in tune with the times to our core business of innovating and developing communications. Starting from a foundation in construction technology, NESIC has obtained information and communications technology (ICT) and built a unique position as a system integrator with construction capabilities. In recent years, NESIC has combined the technological capabilities and know-how gained through self-implementation and co-creation with partners to create new DX-based solutions.



Established Nippon Electric Installation Company

1953–
Founding: Telecommunications Construction

Net Sales



Constructed communications equipment on Mt. Everest

1960s–
Overseas Infrastructure Construction



Completion of Isehara Technical Center

1990s–
System Integrator

1974
Over
¥10 billion
in sales

1989
Over
¥100 billion
in sales

Refinement of Construction Technologies as a Telecom Infrastructure Constructor

NESIC was established in a spin-off of the telecommunications engineering division from NEC Corporation in 1953. NESIC has steadily built up its construction capabilities, centered on NEC products, while tapping into growing demand for telecommunications infrastructure in Japan and overseas. We have also maintained and advanced our technological capabilities to provide the high-quality, highly reliable services that are symbolic of the NEC Group.

Growth through Construction Capabilities and Refinement of ICT

Alongside changes in the business environment and advances in technology, NESIC broadened its reach in the telecommunications infrastructure field to such areas as mobile base stations. NESIC also expanded business to provide ICT to corporations by creating voice networks, enabling it to provide construction, system integration (SI), and maintenance services. Accordingly, we have set up sales bases across the country and broadened our nationwide responsiveness.

Main Initiatives 1950s–1990s

- Nippon Electric Installation Company established in spin-off from NEC Corporation
- Conducted first overseas project (construction and installation of switching equipment in the Philippines)
- Constructed its first television broadcasting facility **A**
- Constructed satellite telecom infrastructure for the 1968 Olympic Games, in Mexico City **B**
- Constructed microwave telecom infrastructure for five Central American countries (simultaneous construction in multiple countries)
- Acquired special construction business and general construction business licenses for seven categories of construction business
- Established first overseas affiliate, in Brazil

- Changed company name to NEC System Integration & Construction, Ltd.
- Listed on Tokyo Stock Exchange
- Strengthened sales structure for private sector by creating specialized division
- Reinforced nationwide network by setting up business unit for regional sales
- Business for New Common Carriers (NCCs) took on significant scale and received major orders from new private communications companies
- Constructed communications equipment on Mt. Everest (enabling broadcast from peak of Mt. Everest for the first time)
- Completion of Isehara Technical Center
- Expanded enterprise system integration business **C**
- Established S-IDC (Strategic Internet Data Center), NESIC's first data center



Changes in the Business Environment

1950s

Reconstruction after World War II Era of construction in broadcasting and telecommunications infrastructure

1960s–1970s

Increase in international communications and satellite communications
Expansion in demand for telecommunications infrastructure construction worldwide

1980s–1990s

Liberalization of telecom
Birth of NCC



Relocated head office to Shibaura (Minato, Tokyo) to accelerate sustainability management

2020s–
Toward Becoming a
Communication
Services Orchestrator

2024
Over
¥350 billion
in sales

1997
Over
¥200 billion
in sales

2010s–
Solution Provider



Practiced EmpoweredOffice in all sections upon transfer of head office to Koraku (Bunkyo, Tokyo)

Creation of New Businesses through Technological Capabilities and Nationwide Responsiveness

NESIC has reinforced its strengths by building a full-service network of about 400 support and service bases across Japan through aggressive M&As, including a merger in 2007 with NEC Telenetworks Co., Ltd., a company with strength in the service field, and turning Q&A Corporation, which operates contact centers, into a subsidiary in 2013. Furthermore, we are creating new businesses such as EmpoweredOffice, a workstyle innovation solution that is ahead of its time, while advancing co-creation with our partners, including through turning the innovative technologies of startups into services. We are also working to further expand into new business areas, including the creation of new solutions that apply DX to traditional workstyle reforms.

Main Initiatives 2000s–2020s

- Changed company name to NEC Networks & System Integration Corporation
- Launched EmpoweredOffice workstyle innovation solutions business and implemented internally in certain sections
- Established nTOC (Network Total Operation Center)
- Practiced EmpoweredOffice in all sections upon transfer of head office to Koraku (Bunkyo, Tokyo)
- Implemented initiatives in high-speed mobile networks and next-generation broadcasting
- NESIC's industry sector classification in stock market changed from "construction" to "information & communication"
- Established sDOC (Service Delivery Operations Center)
- Launched MVNO service for IoT
- Introduced telework system throughout NESIC (spawned from "Women's Project Experiment" idea created by female employees)
- Established CVC Fund to create new businesses through open innovation with startup firms
- Established K&N System Integrations Corporation as a joint venture with KDDI Corporation in mobile network construction
- Launched joint business in low-power, wide-area (LPWA) communications protocol for IoT
- Entered onshore fish farming business utilizing ICT
- Realigned head office to challenge itself to new workstyles including distributed work locations
- Moved to newly established prime market on Tokyo Stock Exchange
- Relocated head office to Shibaura (Minato, Tokyo) to accelerate sustainability management through self-implementation **D**



2000s

Advance of internet protocol (IP) and broadband networks
Integration of communications and broadcasting

2010s

Expansion of the use of cloud IoT and Fourth Industrial Revolution

2020s

Acceleration of DX
Advancement and spread of generative AI

NESIC's Strengths

At NESIC, our extensive line of business offers everything from construction to operation, and support services for a variety of customers ranging from corporations to government agencies. The diverse human resources underpinning these businesses have refined their advanced technical skills through co-creation and self-implementation, a key element of our ability to develop businesses.

Moreover, because NESIC urges and values efforts that promote interaction with other companies and those in advanced domains, each and every employee is becoming more and more aware of the importance of embracing our spirit of challenge and speed.

Under our medium-term management plan Shift up 2024, we will leverage these five strengths in order to differentiate ourselves from the competition.

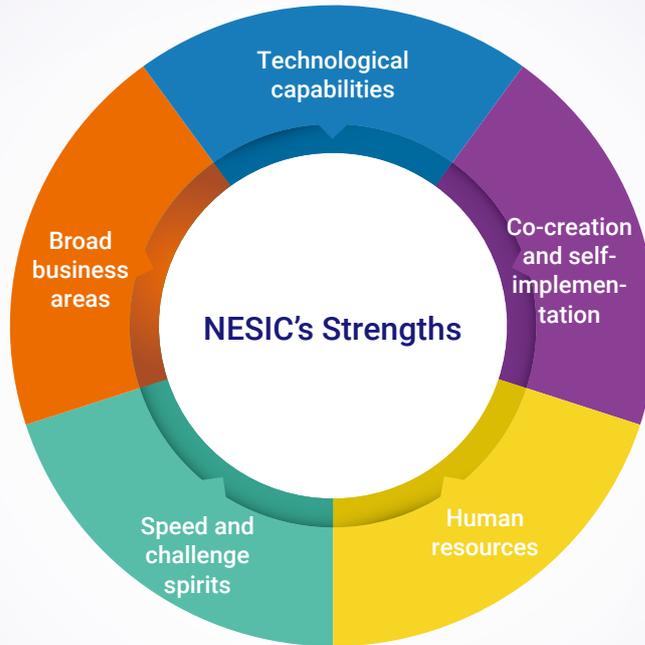


Technological capabilities

In addition to the technological capabilities we have cultivated over the years, the knowledge of their utilization from a customer perspective we have acquired through our self-implementation and co-creation activities—in which we integrate and master the cutting-edge technologies of various partners—will play a major role in resolving the increasingly complex issues of society.

Broad business areas

In addition to the construction services we have provided since our founding, we have expanded our business into the ICT domain. We offer a wide range of services from construction to maintenance, operation, and cloud services at various customer sites, including corporations, telecommunications carriers, government agencies, and social infrastructure providers.



Co-creation and self-implementation

Our unique approach of co-creating and self-implementing with customers and various other stakeholders has become a strength for our creation of new businesses aimed at resolving social issues.

Speed and challenge spirits

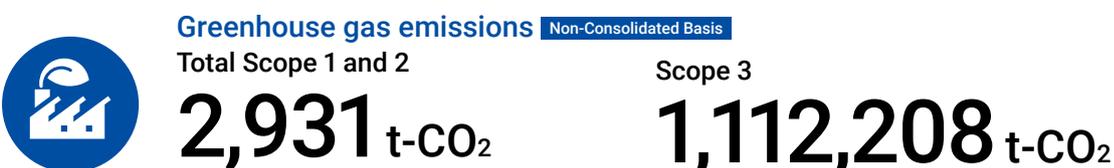
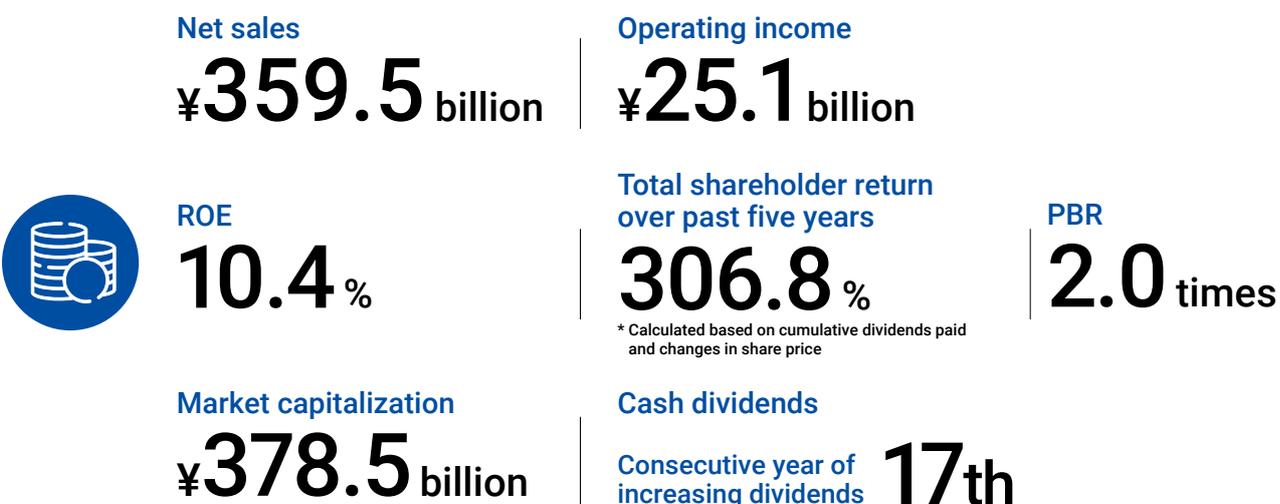
The sense of speed fostered through our co-creation experiences with customers and partners and our mindset for embracing challenges through internal efforts, such as our pitch competition, will spur the creation of new value that is well-suited to the current era marked by drastic changes.



Human resources

Our diverse human resources who underpin our extensive line of business, which has advanced in step with NESIC, create new value by drawing on their various experiences, knowledge, and skills, contributing to the development of society and the growth of our organization.





Message from the Chairman of the Board



Yushi Ushijima

Chairman of the Board,
Representative Director and
Chief Executive Officer (CEO)

With a new management team, we will continue our transformation into a strong company, with the aim of realizing our vision of a Sustainable Symphonic Society.

“Let’s break it!” I have been saying this to employees ever since my appointment as president seven years ago. In the world of business, you must keep evolving or you will inevitably atrophy, and even a successful business with originality can eventually become a commodity and lose its competitive edge. To prevent this from happening, even if something is going well—in fact, precisely because you feel at ease that things are going well—you need to make a drastic change by completely dismantling it, looking at it from a different perspective, and then rebuilding it. Compared to seven years ago, NESIC, which has continuously maintained and improved upon the status quo, is now shifting to a corporate culture that rejects the status quo and takes on new challenges, and I can confidently say that the Company is now highly regarded and held in high expectations both from a business perspective and by its customers.

Progress of Shift up 2024

Two years have passed since the start of our current medium-term management plan Shift up 2024. In the first year, the fiscal year ended March 31, 2023, we were able to capture customer demand and saw orders pile up, but we were slow to respond to changes in the external business environment, such as the rapid depreciation of the yen and shortages of semiconductors and other components, and this caused delays in the implementation of our growth strategies. However, in the fiscal year ended March 31, 2024, our strategies start to bear fruit, and we saw significant increases in both revenue and profit. In particular, we continued to develop lasting relationships with customers, with the number of large recurring accounts increasing by 8%, while in the DX Solutions Business, we improved profitability by expanding high-value-added services through a consultative approach. Due to factors such as the unexpected curbing of investment by telecommunications carriers, the forecast figures for the fiscal year ending March 31, 2025 are below the initial medium-term targets, but I believe we have managed to return to the growth trajectory we have pursued, albeit a year later than planned.

In the Network Solutions Business, where performance is currently weak, we do not expect to see a recovery in capital investment by telecommunications carriers in the short term, but we have completed the restructure of the business, including the shifting of resources, and expect to see positive results gradually emerge from this in the very near future. The aerospace and national security, marine, and other social infrastructure domains represent business areas with little competition where we can leverage our strong technological capabilities for such telecommunications carriers, and we will use the strengthened resources to expand our businesses in these areas. While it is said that the full-scale establishment of the market for next-generation networks such as local 5G is two years behind schedule, there is solid demand emerging in areas where high speed networks with strong security guarantees are needed, such as power plants, and we are building expertise in this area. This has already resulted in the joint development of a new product with a startup company, and we plan to explore new ways for local 5G to be used. In the future, we will create our own markets and establish businesses that are not influenced by the investment trends of telecommunications carriers.

Advancing to the Next Stage

We have positioned the current medium-term management plan Shift up 2024 as the second stage of our efforts toward 2030. When I returned from a Group company to NESIC and assumed the position of president in 2017, I felt strongly that, despite the Company having many attractive technologies and businesses, it was still just a collection of small businesses, and had yet to become a company with the strength to match its size.

Under the previous medium-term management plan Beyond Borders 2021, the first stage of our efforts toward 2030, we restructured our organization centered on technologies, strengthening individual businesses while creating a structure that facilitates horizontal collaboration across organizational boundaries. Under Shift up 2024, we aim to embark on the implementation of practical services in society, with digital transformation

(DX) and Beyond 5G next-generation networks at the core, and I think the picture of how we will leverage our comprehensive strengths, including both of these technologies and our broad customer base, is starting to become clear.

As I mentioned earlier, we have come to understand the areas in which local 5G will be beneficial. We can now see that digital twins and similar technologies can be used not only to resolve social issues for businesses, but also to resolve social issues for the public, such as in the field of transportation. Our challenge going forward will be to create many more examples of winning patterns like these and develop them horizontally. I think this will be a major theme in our next medium-term management plan.

Notably, NESIC has a wide customer base in the social and public sectors that it has built up through its construction work, and its advantage of being familiar with the workplaces of these customers is something other system integrators do not have. For the Company, this represents a major opportunity to create businesses that utilize DX and next-generation networks in such a large sector. Increasing the added value of our existing high-volume businesses by creating new value in this way is a perfect example of the Company's spiral-type business model. By combining the strengths of each business and working to achieve creation in harmony with our customers and society, we aim to move closer to achieving our vision of a Sustainable Symphonic Society by 2030.

Identifying Issues through Engagement with Employees

In the pursuit of realizing our vision, I believe our most important challenge is strengthening human capital. In particular, the development of advanced DX professionals in new technological fields such as generative artificial intelligence (AI), which has recently been the subject of much attention, is a top priority for the advancement of our businesses and the creation of new value. We are also working to train our sales staff to strengthen their ability to make consulting-based proposals, but we still have some way to go in this regard, having only just begun to implement measures. Human resource development does not happen overnight. We will proceed without haste and with our feet firmly on the ground.

In doing so, a major issue at the forefront of our minds is a drop in our employee engagement score. I have always valued visiting the workplace and communicating directly with employees on the front lines. For a while after becoming president, it was difficult to hear employees' true feelings, but recently, perhaps because I have been constantly emphasizing the need for change and urging people to question existing ways of doing things, I have

noticed that people are more willing to speak up and express their opinions about matters that concern them, and I feel that there is more of an atmosphere of openness than before. We have also seen a significant increase in the response rate for the employee engagement survey, which may be due in part to the atmosphere becoming more conducive to expressing one's true feelings. That said, it was a shock to see the score drop, and I am working to increase opportunities for direct dialogue and listen to the true thoughts of employees, which are not always readily apparent in survey results. For example, one of the factors for the drop in score seems to be that employees are too busy to gain new experiences because business performance has been improving, which is also linked to the abovementioned delay in the development of consulting personnel. Rather than just taking stopgap measures, we will fully examine the underlying issues and implement solutions that will lead to fundamental improvements, including the enhancement of growth opportunities by promoting the transfer of authority.

Continuing to Make Changes with the New Management Team

I have always emphasized the importance of change, and for the Company to move on to its next stage, the management team will also need to undergo a transformation by way of renewal. Until now, I have been transforming our corporate culture and systems, but what is needed next is to take these changes and turn them into tangible results in the form of stronger businesses. With this in mind, I decided that the current fiscal year, the final year of Shift up 2024 and the year in which we will formulate the next medium-term management plan, was the perfect time to appoint a new president. I have assumed the role of Chairman of the Board and CEO, and Michitaka Ono, who was formerly a director, has been appointed president and chief operating officer (COO).

When I was appointed president, as well as working to make the Company stronger as a single entity and to transform it into an organization that has the courage to change, I had in mind the idea of structuring the management team in a way that would incorporate the development of successors. I also envisioned formulating two medium-term management plans as president and then handing over the reins in the final fiscal year of the second plan. To realize this vision, I have been making a conscious

effort to build a team with clearly defined roles, by having many people, especially executives, gain a variety of experiences and introducing a CxO system in 2022.

The newly appointed president, Mr. Ono, has experience in a variety of business fields, most recently as president of a Group company where he delivered results making full use of DX, and I expect him to help turn my ideas into concrete business initiatives. As chairman and CEO, I will continue to make management decisions, while also supporting President Ono by eliminating any obstacles that may prevent him from achieving results in business operations. With our new management team, we will continue to transform NEC Networks & System Integration Corporation by repeating the cycle of destruction and reconstitution.



Chairman of the Board, Representative Director and Chief Executive Officer (CEO)



Yushi Ushijima

Chairman of the Board,
Representative Director and
Chief Executive Officer (CEO)



Michitaka Ono

President, Representative Director
and Chief Operating Officer (COO)

Message from the President

I was appointed president and chief operating officer of NEC Networks & System Integration Corporation in June 2024.

When I conduct team building with people I have never met before, I think it is important to convey a sense of who I am as a person, so I always prepare a brief profile that also includes personal details. Let me begin this message by introducing myself and sharing some of the things I value.



Michitaka Ono

President, Representative Director and Chief Operating Officer (COO)

Team Building

Since joining the Company, I have gained extensive experience working on-site for customers, mainly in fields related to infrastructure. When I was in my 20s and still very much a novice, a customer who oversaw our site took the time to give me guidance that went beyond company boundaries, including showing me around other sites. It left a particularly strong impression. I felt firsthand the importance of teams coming together to help one another create a single finished product, and how we grow as people through this process. Team building is one of the things I value greatly.

For the last five years, I served as a board member and then as president and representative director of subsidiary K&N System Integrations Corporation. The company is a joint venture with a customer and is made up of people with experience working at various companies, all of which have different cultures and even definitions of

some of the terminology used, so it was a very valuable experience to build a team and co-create in such an environment.

From that experience, I feel that NESIC has not yet fully achieved the diversity to further promote change. Rigid people and organizations naturally become afraid of variation, so we must transform our environment to one with various types of people—different genders, experiences, and ways of thinking. To achieve this, the Company has the option of mid-career recruitment or possibly M&As. I would like to create a company that is like an orchestra, in which diverse people work in harmony to complement each other's strengths and weaknesses, accept their differences, and strengthen each other to create new things as a team.

Turning Past Accomplishments into Concrete Results On-Site

Under Mr. Ushijima, who is now chairman, NESIC clarified its direction and established many relationships outside the Company. I believe one of my strengths is a wealth of experience and familiarity with working on-site. Having

taken on the baton to move the Company to its next stage, it is my role to take past accomplishments and translate them into concrete projects, sales, and profits.

Goals are not easy to achieve. I have always believed that the surest path is steadily toward them without deviating from the overarching objectives that have been set. Under the next medium-term management plan, which begins in April 2025, we will continue to maintain the overarching direction of our long-term vision. That said, it is important to be flexible and update plans that have been determined and implemented, quickly adapting to changes in the external business environment, such as the trends of

the times, and the internal business environment, including the circumstances of the organization. For example, while AI and artificial general intelligence (AGI) rapidly become more widely used and make the world more convenient, there is also a risk that they could give rise to new types of crime. We will work to address these emerging social issues and seize related business opportunities.

A Company that Proudly Supports Society

In my personal life, I have had the experience of calling emergency services. One can only express gratitude for the way my call was handled so accurately at that time of panic, and for the quick response of the emergency services that followed. I feel a great sense of pride that NESIC has played a part in building this emergency network. The networks we have built play a supporting role in our everyday use of smartphones, and our systems and networks also support the speedy acquisition of earthquake and tsunami information that leads to disaster mitigation. The same can be said of the office networks that support diverse workstyles, which have

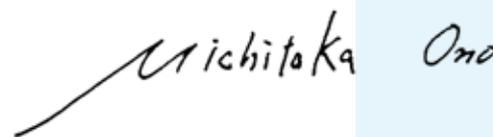
demonstrated their true value in the wake of the COVID-19 pandemic. Our businesses not only make communication more comfortable and convenient but also support many vital services and protect lives. A company, which is a collection of people, should exist for the benefit of society. And I believe that we have the potential to contribute to a brighter future for even more people. We strive to be inobtrusive yet indispensable to people's lives, like the air itself, while working toward the realization of a Sustainable Symphonic Society—a sustainable society with prosperity that resonates for all.

Enhancing Corporate Value

In my capacity as president, I will drive the growth of the Company while conscious of enhancing our corporate value and increasing our share price. Understanding that share prices are a reflection of a company's value to society, there is still potential for the Company to raise its valuation. All employees, including me, must make the right judgment on whether we are carrying out our work for the benefit of society. We must improve the quality of our products and services, increase the value we provide to our customers, and return the value we create to our employees, society, and shareholders. I am convinced that if we can continue to do these things as a matter of course, our efforts will be reflected in our corporate value and share price.

Investors and shareholders also form part of our team when it comes to working to improve society. Through dialogue, I would like to receive a wide range of feedback from an outside perspective and help to make NEC Networks & System Integration Corporation an even better company.

Thank you for your continued support and encouragement.



President, Representative Director and Chief Operating Officer (COO)

Roundtable Discussion among Outside Directors



**Michiko
Ashizawa**
Outside Director

**Mikiko
Morimoto**
Outside Director

**Mamoru
Yoshida**
Outside Director

Outside directors Michiko Ashizawa, Mamoru Yoshida, and Mikiko Morimoto exchanged their frank opinions on the changes to NESIC's management structure, as well as issues to be addressed and future expectations for the Company.

Changes to Management Structure

Ashizawa: During his seven-year tenure, former president Yushi Ushijima was responsible for the formulation of two medium-term management plans and achieved a certain degree of success. As Shift up 2024 is now in its final year and the next plan will be formulated under the new management structure, Mr. Ushijima assumed the position of chairman in June 2024 and Michitaka Ono was appointed president. The Nomination and Compensation Committee discussed the appointment of the new president from various perspectives, including the appropriateness of the selection process and the qualities that should be sought in a leader. We had numerous opportunities to engage in discussions with the candidates, and we made our final selection after carefully considering their suitability for the role and their personalities.

Yoshida: It can be said that one of Mr. Ushijima's major achievements was to link self-implementation to creating business and drive forward the transformation of the Company. What is needed next is to build on the current medium-term management plan to promote further destruction and create new value. Mr. Ushijima has long talked about wanting to expand the scope of the Company's businesses, technologies, and customers, and I feel that the management structure has become one with a wider scope, with Mr. Ono, who has demonstrated leadership and driven operations at a Group company, taking on the role of president and COO, and Osamu Kikuchi, the chief digital officer (CDO), further strengthening the Company's technologies.

Morimoto: I was appointed outside director of the Company in June 2023, and took part in discussions during the selection process. I had the opportunity to look at the candidates from various angles as an outside director, including their management perspective and strategic thinking from a long-term standpoint, and their leadership skills. I believe that the renewal brought about by the structural changes, which were made possible by Mr. Ushijima's strong sense of reform, will further promote the growth of the Company in the future.

I also believe that the Nomination and Compensation Committee, which was established in 2021, conducted the selection process with an awareness of stakeholders such as the capital markets.

Ashizawa: There is still room for improvement in the selection process. In particular, I feel that succession planning should be considered not only for the president, but for the entire management team, and that this should be discussed from the stage of creating a pool of potential candidates, rather than at the stage of making specific appointments. I raised the issue that, even if the Company was to increase the number of women in management positions, it would be necessary to have more a more in-depth discussion about how many candidates there would be a few years from now if the Company continued on its current path, and if the number fell short, to think about how we would fill the gap through training or recruiting from outside the Company in order to achieve the target ratio of 10% women in management positions by the fiscal year ending March 31, 2027.

Yoshida: The Company has been strengthening its CxO system since 2022, after repeated discussions by the Nomination and Compensation Committee based on the thinking that team-based management was necessary in an era of rapid change. Going forward, it will also be important for the Company to strengthen its corporate planning and strategic functions. With the new management structure in place, I would like to see the focus of discussions shift to the management team as a whole and the process of nurturing future candidates.

Morimoto: It is very important to consider the number of diverse human resources being nurtured within the Company as potential leaders of the future, who can take on the responsibility of leading the Company not just in the immediate future, but also 20 or 30 years from now. I feel that our experience gained through the recent selection process will serve as a good opportunity to deepen discussions on succession planning.

Ashizawa: Mr. Ono, the newly appointed president, is not only highly conscious of the need for change, but also has the ability to achieve this change by taking a three-dimensional view of issues that combines the perspectives of various stakeholders over short, medium, and long-term time frames. He is also a studious person, who is adept at conveying to others the knowledge he gains from both books and being on-site. In terms of business achievements, as the president of K&N System Integrations Corporation, he led the organization in digital transformation by implementing data-driven management within the company. I believe that he is the right person to assume the position of president, as he will

be able to take the lead building on the internal reforms of Mr. Ushijima, and turn the Company's broadened external network of contacts into concrete business.

Yoshida: I completely agree. I have high expectations for Mr. Ono based on his proven capabilities in management and making breakthroughs, as well as his ability to approach issues from multiple perspectives, not just in terms of management, but in terms of on-site operations and people. One of the issues Mr. Ono is currently facing is building relationships with customers in business areas where he has not had direct involvement up to now, but I look forward to seeing Mr. Ono and Mr. Ushijima join forces to take these relationships to a new stage.

Evaluating Progress Made under the Medium-Term Management Plan Shift up 2024 and Preparing for the Next Medium-Term Management Plan

Yoshida: I view the business results for the fiscal year ended March 31, 2024 as positive, with both net sales and gross profit reaching record highs. However, this is due in part to the tailwinds experienced since the COVID-19 pandemic, such as rising demand for digital transformation (DX) and workstyle reforms, and the reality is that the Company is still not on par with its competitors. As I mentioned last year, the Company's ability to formulate road maps to tackle issues from a medium- to long-term perspective is still somewhat lacking. NESIC must clarify what kind of company it aims to be in the future, and what kind of know-how it will



Succession Planning for the Entire Management Team Must Be Considered from the Early Stages of Candidate Selection

Michiko Ashizawa

Outside Director

- 1996/10 Joined International Department, Century Audit Corporation (currently KPMG AZSA LLC) (retired in May 2001)
- 2003/9 Joined Industrial Revitalization Corporation of Japan (retired in January 2006)
- 2006/2 Joined Advantage Partners LLP (currently Advantage Partners, Inc.) (retired in January 2007)
- 2013/4 Associate professor in Faculty of Liberal Arts (currently the School of Economics and Business Administration) at Yokohama City University (retired in August 2023)
Associate Professor in Graduate School of International Management at Yokohama City University (retired in August 2023)
- 2016/9 Part-time lecturer, Graduate School of Business Administration, Keio University
- 2018/6 Outside director of the Company (present position)
- 2023/9 Associate professor in Graduate School of Business Administration, at Keio University (present position)
- 2023/10 Member, Council for Promotion of Regulatory Reform (present position)

I Want to Establish a Culture of Identifying and Addressing Medium- to Long-Term Management Issues

Mamoru Yoshida

Outside Director

- 2009/4 Officer, Panasonic Corporation vice president, Panasonic AVC Networks Company, in charge of Consumer Business
- 2012/4 Director, managing executive officer, Panasonic Corporation President, Panasonic AVC Networks Company
- 2012/6 Director, managing executive officer, Panasonic Corporation
- 2013/4 Director, managing executive officer, chief technology officer (CTO), Panasonic Corporation
- 2015/4 Director, managing executive officer, Panasonic Corporation senior vice president, Appliances Company; president, Air-con Company, in charge of TV Business
- 2015/6 Managing executive officer, Panasonic Corporation senior vice president, Appliances Company; president, Air-con Company, in charge of TV Business
- 2016/6 Senior audit & supervisory board member, Panasonic Corporation (retired in June 2020)
- 2020/6 Outside director of the Company (present position)



accumulate through self-implementation to use as a competitive edge when making proposals to customers and incorporate this into the next medium-term management plan. It is inevitable that there will be issues in management, and I would like to see a culture established in which these issues are brought to the surface, acknowledged, and addressed.

Ashizawa: Although the Company is not expected to achieve the goals of Shift up 2024 due to the prolonged impact of the component shortage, I also view its performance for the fiscal year ended March 31, 2024 as excellent. That said, I recognize that the employee engagement score, one of the non-financial indicators of Shift up 2024, is an issue, having fallen four percentage points year on year to 28% in the fiscal year ended March 31, 2024—a long way off the target of 50% for the fiscal year ending March 31, 2025. As such, management will need to pay close attention to how its on-site employees are faring to see if the Company is really performing as well as its financial results suggest.

Morimoto: Human resources are vital to creating added value unique to the Company. Although the message from senior management has been clearly articulated in this regard, I am somewhat concerned about the degree to which it has taken root in the minds of employees. The Sustainability Management Committee, in which I participate as an advisor, often discusses how the Company's direction and corporate culture should be communicated to employees. If the Company can effectively convey these two elements in addition to being a comfortable and rewarding place to work, I believe that the engagement score will gradually increase. Communication on the part of middle management, who serve as a bridge between senior management and those on-site, will be a major factor in this. The number of so-called Gen Z employees is increasing, and communication is becoming more difficult in this new era of

digital technologies such as generative AI. In fact, this may be an opportunity for the Company to leverage self-implementation—one of its strong points—to make proposals to customers who are facing the same challenges.

Yoshida: Recently, I have been wondering what type of human resources will be required once generative AI has been fully developed. Right now, there is strong demand for digitally savvy human resources, but in the future, if all we have to do is set a goal and AI will automatically do the programming for us, then visionary skills, rather than digital expertise, may become increasingly necessary. Perhaps it is time to start preparing for what kind of human resources should be trained in anticipation of such an era.

From a business standpoint, I believe that one of the themes of the next medium-term management plan will be the acceleration of reforms in each business unit. In particular, the Environmental & Social Solutions Business, which is mainly responsible for construction, appears to be facing obstacles to reform due to its extremely strong ties with existing customers. It seems that there is a culture of being overly compliant with customers' demands, and I am constantly urging the Company to make sure the business is actually turning a profit in its activities. The awareness of this issue has improved considerably, but in my opinion, there is still room for improvement. I would like to see more changes through strengthened cooperation with the cutting-edge DX Solutions Business.

Ashizawa: It is said that even as AI evolves, there are two types of human resources that will be needed: those who can ask questions and formulate strategies, as Mr. Yoshida mentioned earlier, and the other is those who are responsible for the essential, physical aspects of the project. For this reason, the Environmental & Social Solutions Business, which has the construction capabilities that form the core of

the latter and builds systems, is a major strength of the Company. To enhance this strength using DX, the issue for the Company is how best to promote lateral collaboration throughout the organization.

Morimoto: I think it is also important to raise awareness of materiality in order to build the Company's fundamental strength over the medium to long term. The Company has identified appropriate materiality in line with its management strategy, which consists of two pillars: initiatives to provide value to society and initiatives for growth at NESIC. I believe that by aiming to create social value with an awareness of materiality, rather than focusing on short-term profits, the Company will naturally build a foundation for generating profits over the medium to long term.

Further Strengthening Corporate Governance

Yoshida: The Company must address the challenges presented by its parent–subsidiary listing. Shortly after I became an outside director, I asked for and received a report explaining the status of NEC-related transactions, and in 2021 a special committee was formed, of which I was appointed chair. There is now much greater awareness on the part of management regarding parent–subsidiary listings and corporate governance in general, partly in response to requests from the capital markets. However, to ensure that the parent–subsidiary listing brings value, I believe it is important to use it as a clear advantage and continue to conduct management in a way that meets the demands of the capital markets and continues to achieve results. To bolster its ability to do so, I

would like the Company to draw up a growth strategy that combines its strengths with NEC's resources.

Morimoto: I agree. I have experience with an asset management company, and I feel that the Company is currently being managed in a way that is mindful of how to increase shareholder value based on the premise of its parent–subsidiary listing. I would like to see the Company continue to listen sincerely to the assessments of those in capital markets through stakeholder engagement and other means, and to use this feedback to strengthen its weaker aspects.

As for sustainability, while standalone topics such as disclosures based on TCFD recommendations are also important, I would like to see more strategic discussions for the sustainable growth of the Company. I would like to use my experience to contribute by discussions on how to link each business and initiative to materiality and draw them together in a single narrative with a view to the society we aim to realize in 2030.

Ashizawa: I also feel that more discussion on strategic content is needed at Board meetings. In connection with what Mr. Yoshida said earlier about the ability to formulate road maps to tackle issues, there is still a lot of discussion on individual, specific matters, so I would like to see discussions taking on a broader, more long-term perspective. Briefing materials have been streamlined in the last few years allowing for clarity and enhanced deliberations, but I aim to continue to encourage a higher level of discussion.

I Would Like to See More Strategic Discussions on Sustainability to Promote Sustainable Growth

Mikiko Morimoto

Outside Director

1996/4 Joined The Japan Research Institute, Limited.
(retired in July 1999)
2000/7 Joined Nagashima Ohno & Tsunematsu (retired in July 2010)
2014/9 Secretary to the Minister of Economy, Embassy of Pakistan in Japan
(retired in March 2015)
2015/5 Joined Asuka Asset Management Co., Ltd.
(currently Aizawa Asset Management Co., Ltd.)
(retired in February 2018)
2018/1 Joined SDG Partners, Inc. (retired in May 2021)
2021/2 CEO, karna ltd. (present position)
2023/6 Outside Director of the Company (present position)



Our Connection to Daily Life

NESIC Contributes to a Safe, Secure, and Plentiful Tomorrow in Various Contexts of Daily Life

1 Workstyle Innovation

Creation of an environment that allows people to work from any location, such as home or satellite offices, through the combination of physical and digital spaces by bringing together various cloud-based tools and applying cutting-edge technologies. Establishment of a venue that enables people to co-create as a team by transcending organizational and corporate boundaries and a way of working that generates innovation by resolving issues of communication, management, and administrative tasks



2 Broadcasting

Construction, operation, and maintenance of TV broadcasting facilities, relay stations, and studio, facilities, as well as installation of fiber-optic cable for cutting-edge 4K and 8K broadcasting



3 Airports

Visual Docking Guidance Systems (VDGS), air traffic control systems, security systems, airport information, and a broad array of other services



4 Hotels

Comprehensive hotel solutions such as telephones and switching equipment, room management systems, and systems for providing guests with information



5 Mobile Communications Network

Overall network support indispensable for daily communication via smart phone and flip phone, from installation of mobile base stations system to integration of core networks



6 Firefighting & Emergency

Construction of command systems and radio systems enabling rapid responses to emergency calls, and provision of multilingual call center services



7 Railways & Roads

Support for public transportation by constructing and maintaining telecommunications networks and other systems for railway and highway traffic control



8 Disaster Prevention

Support for living in safety and with peace of mind through creation of disaster prevention communication systems that provide information at times of emergency and support for decision-making by centralizing various infrastructure information



9 Shops & Public Facilities

Creation of convenient user environments for customers including Wi-Fi and local 5G, information distribution systems, and value-added video services



10 Oceans

Installation of submarine cables that support international communication and development and construction of submarine seismometers that quickly acquire information on earthquakes. Also, installation of power lines for offshore wind power that utilize NESIC's knowledge of laying submarine cables



11 Outer Space

Wide-ranging support of space development, from ground stations to communication with and operational control of artificial satellites and spacecraft, and the environmental observation it enables



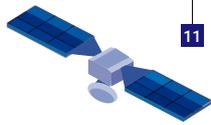
12 Local Governments & Education

Provision of networks to local governments that help realize safe and secure lifestyles by providing residential protecting services and energy management systems. Provision of rewarding workplace environments to government employees and ICT and online classes to schools



13 Primary Industries

Support for the transformation of business models in agriculture, forestry, fisheries, and other primary industries by means of digital technology, such as by promoting the safe and secure production of high-quality salmon through digital transformation of the aquaculture industry using the latest ICT



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14 Plants

Achievement of smart factories by improving processes that aim to enhance production efficiency, such as optimization of products and employees through utilization of DX at manufacturing sites, including plants



15 Network Total Operation Centers

24/7 customer network support ranging from security monitoring to network operation

16 Comprehensive Technical Centers

Comprehensive technical services ranging from evaluation to SI of new technology to maintenance and repair that run 24/7

17 Data Centers

Keeping of customers' ICT assets in secure, robust environments, and provision of wide-ranging operation, outsourcing, and cloud services

18 Contact Centers

ICT system failure response, help desk, and other support services for customer system administrators and system users, and interpretation services in multiple languages

 NESIC's service platform

Materiality

We have identified risks and opportunities based on megatrends and designated six materiality issues as key initiatives for contributing to the sustainable development of society and realizing our sustainable growth. Based on the various changes in our business environment, we formed more concrete images of materiality issues and are working to put it into practice by share these images.

	Megatrends	Opportunities for NESIC	Risks for NESIC
Initiatives to provide value to society	<ul style="list-style-type: none"> Declining and aging population and decreasing working population Concentration of population in urban centers Declining population in rural areas and widening regional disparities Growing impact of climate change Increasing awareness of safety and security Acceleration of digitalization Rapid advancement of networks 	<ul style="list-style-type: none"> Changes in workstyles at enterprises and local governments Widening promotion of DX in educational settings Rising needs for the development of attractive, highly resilient communities Expanding needs for the use of digital technologies to address increasing demand for measures against climate change Growing needs for security-related and data-driven businesses associated with increasing sophistication of networks Increasing number of business partners seeking to collectively realize a sustainable society 	<ul style="list-style-type: none"> Declining productivity Inability to secure human resources and transfer skills Loss of trust due to information leakage, privacy violations, and other security issues Impact of natural disasters on supply chain Loss of business opportunities due to disregard for human rights Obsolescence of services, technologies, and quality due to lack of timely response to change Loss of relationships with co-creation partners due to lack of importance placed on sustainability
Initiatives for growth at NESIC	<ul style="list-style-type: none"> Increasing focus on sustainability and ESG management Market restructuring of the Tokyo Stock Exchange (1st Section Prime Market) 	<ul style="list-style-type: none"> Bolster international competitiveness by ensuring diversity of directors Expand opportunities for new business development by speeding up innovation Enhance credibility by strengthening governance and promote business growth by ensuring rapid decision-making Enhance social reputation by strengthening response to diversifying social needs Secure talented personnel and reduce employee turnover by engaging in and disclosing human capital management activities Expand growth opportunities and increase engagement through proactive investment in human resources Transfer knowledge and skills to younger generations by creating opportunities where senior employees can play an active role 	<ul style="list-style-type: none"> Dysfunctional governance and internal control systems Closed decision-making and diminishing long-term growth due to lack of Board diversity Loss of trust due to compliance violations and unfaithful management Loss of social reputation due to lack of information disclosure Impact on recruitment, increase in employee turnover, and lack of motivation and engagement due to the lack of importance placed on human capital management



Vision for Society

An inclusive and sustainable society created through communications

Initiatives to Provide Value to Society through 2030

- Create work environments in which everyone can take initiative
- Develop pleasant and plentiful communities with cutting-edge technologies
- Provide robust services that underpin safety and security in evolving society



Initiatives for Growth at NESIC

Sound and highly transparent management

- Strengthen governance through dialogue with all stakeholders
- Promote compliance with an eye to diversity

Strengthen innovation capabilities to create new value

- Promote a culture that encourages change and embrace of new challenges
- Accelerate co-creation and the use of various services in our own business practices to better understand customers' point of view

Create a culture where employees can take initiative

- Improve the Well-being of employees
- Encourage frank and open discussions, and enhance the corporate culture as a facilitator of self-growth

Create work environments in which everyone can take initiative

We aim to provide environments where everyone, regardless of age, gender, or nationality, can work proactively and to the best of their abilities without regard to location.

Develop pleasant and plentiful communities with cutting-edge technologies

We aim to help develop communities, such as smart cities, where people can lead exciting and fulfilling lives with safety and convenience, and where various information services are provided on robust communication platforms using the latest mobile technologies, etc.

Provide robust services that underpin safety and security in evolving society

We will support the development and advancement of ICT essential for economic growth by creating safe and secure services that offer high quality and national reach.

STEP 3

Candidate materiality issues and internal discussions

A list of candidate materiality issues was created based on the vision for society and initiatives to be undertaken to realize the visions that were examined in Steps 1 and 2, which was followed by discussions with top management.

STEP 4

Interviews with outside directors

Candidate materiality issues proposed in Step 3 were explained to the outside directors, who offered their insight.

STEP 5

Identification of materiality issues

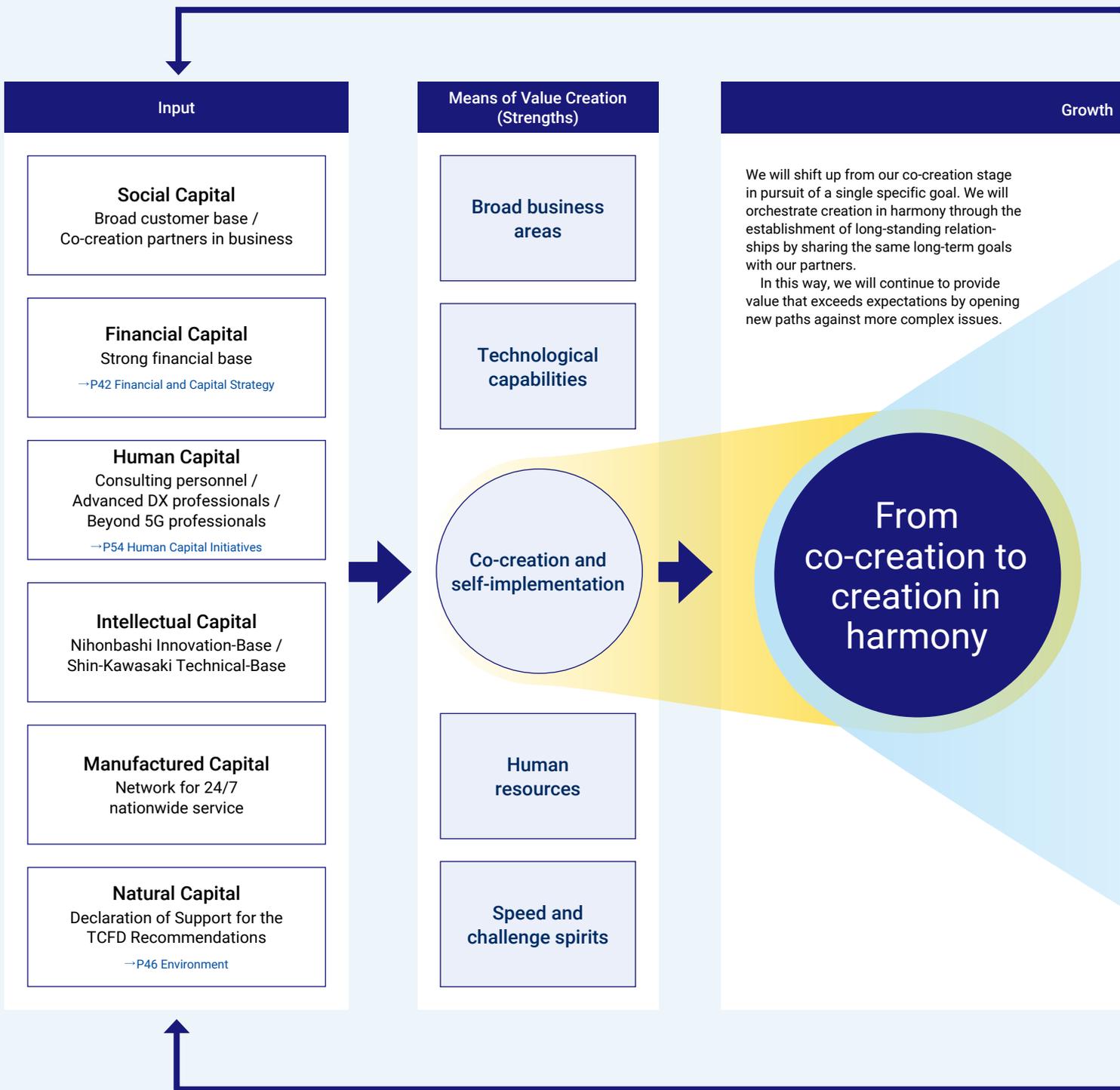
The Executive Committee determined materiality issues based on internal and external opinions. The issues were reported to the Board of Directors.

Value Creation Model

With the formulation of our medium-term management plan Shift up 2024, we have set forth the achievement of a "Sustainable Symphonic Society" as our vision for society.

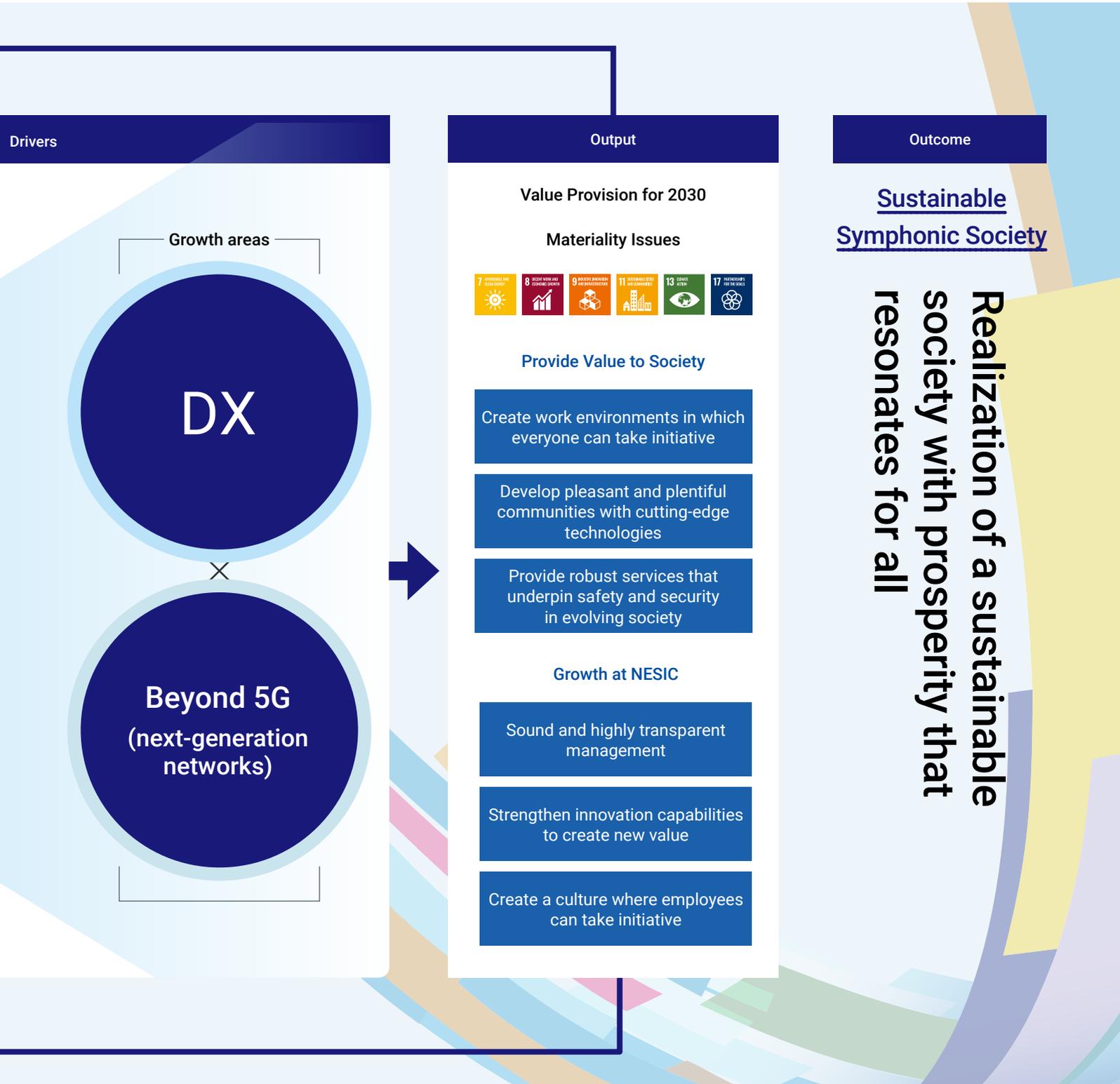
In order to realize such a society, we will establish a value creation model that integrates DX × Beyond 5G next-generation network technologies through the inspiration of our five strengths, with creation in harmony as new factor to success.

Based on this value creation model, we will develop a series of new businesses and services, and by 2030, we will realize three particularly important values for society (materiality): "create work environments in which everyone can take initiative," "develop pleasant and plentiful communities with cutting-edge technologies," and "provide robust services that underpin safety and security in evolving society."



Furthermore, in order to continue to create such value for society, we will implement three initiatives that are particularly important to the growth of our business (materiality): “sound and highly transparent management,” on the basis of which we will “strengthen innovation capabilities to create new value” and “create a culture where employees can take initiative.”

By continuing to embrace this value creation model, we aim to help realize a more affluent society, contribute to the achievement of the Sustainable Development Goals (SDGs), and increase corporate value over the long term.



Notes:

- This table has been prepared under the guidance of Mr. Hidemitsu Sasaya, ESG/SDGs consultant and professor at the Chiba University of Commerce.
- Please be aware that changes in a variety of factors may lead to differences in results from the content provided above. Furthermore, we have revised the definitions and numerical targets from when we announced our medium-term management plan.
- Some figures have been rearranged to reflect the changes resulting from the transfer of projects between business segments (Network Solutions and Environmental & Social Solutions) in April 2024, and the targets for the fiscal year ending March 31, 2025 are based on performance forecasts.

*1 We have brought forward targets set at the announcement of the medium-term management plan for reducing Scope 1 and 2 CO₂ emissions to accelerate our contribution to climate issues, which is our responsibility as a company. The rate of reduction in the fiscal year ended March 31, 2024 is based on calculations from before implementing third-party verification. These are subject to change following the results of verification.

*2 To improve shareholder returns in line with increased profitability, we have revised our DOE level for the fiscal year ending March 31, 2025.

*3 We have revised definitions and targets set during the announcement of the medium-term management plan to include additional criteria, such as skill level acquired from qualifications and training.

Initiatives and specific targets	Target figures (Numerical targets for initiatives without a specified fiscal year are based on FY2025/3)	Results and result indicators Results from FY2024/3
• Expand businesses under themes including workstyle DX, data analysis and utilization, and digital twins* ^a	Net sales ¥50 billion (total of A, B, and C)	¥33.0 billion (total of A, B, and C)
• External sales and monetization of DX human resource development function (College Concept)		Developed in-house training curriculum for external sale of DX human resource development know-how
• Accelerate original value creation through Symphonict		→ P34
• Expand businesses under the theme of local government DX* ^b	Net sales ¥50 billion (total of A, B, and C)	¥33.0 billion (total of A, B, and C)
• Promote community development business* ^b	Net sales ¥20 billion (total of D and E)	¥10.0 billion (total of D and E)
• Accelerate original value creation through Symphonict		→ P34
• Expand businesses related to telecommunications carriers* ^f (provide local 5G and various other network services and develop secure infrastructure)	Net sales ¥63 billion (total of telecommunications carrier-related businesses, including F and G)	Reference: ¥97.6 billion (total from career-related businesses and social infrastructure businesses)
• Increase sales from social infrastructure business* ^h (expand solutions businesses utilizing satellite images and AI)	Net sales ¥27 billion (total of social infrastructure businesses, including H and I)	Reference: ¥97.6 billion (total from career-related businesses and social infrastructure businesses)
• Expand businesses under theme of next-generation network security* ^c	Net sales ¥50 billion (total of A, B, and C)	¥33.0 billion (total of A, B, and C)
• Expand businesses related to telecommunications carriers* ^g (data operations business through automation and AI prediction using infrastructure operations data)	Net sales ¥63 billion (total of telecommunications carrier-related businesses, including F and G)	Reference: ¥97.6 billion (total from career-related businesses and social infrastructure businesses)
• Increase sales from social infrastructure business* ^h (provide resilient social infrastructure services through the use of observation data obtained from satellites and ocean floors)	Net sales ¥27 billion (total of social infrastructure businesses, including H and I)	Reference: ¥97.6 billion (total from career-related businesses and social infrastructure businesses)
• Increase sales by strengthening measures toward the realization of a decarbonized society* ^e	Net sales ¥20 billion (total of D and E)	¥10.0 billion (total of D and E)
• Expand energy businesses through co-creation		→ P36
• Launch and expand onshore fish farming business	Net sales ¥30 billion (FY2030/3: includes franchises)	August 2023 Made first shipment of salmon raised at Fuji-Katsuragawa Factory, for sale in Japan
• Reduce CO ₂ emissions from business activities (Scope 1, 2)	Reduce CO ₂ emissions by 57% in FY2023/3 over FY2020/3, reduce by 89% in FY2025/3 over FY2020/3, and realize net zero* ¹ emissions by FY2031/3	66% reduction (compared with FY2020/3)
• Set targets for supply chain CO ₂ emissions (Scope 3) up to fiscal year ending March 31, 2024		Targets set FY2031/3: Reduce by 35% compared with FY2020/3 level Achieve net zero by FY2051/3
• Increase ratio of directors who are women	30% (FY2031/3)	33.3%
• Expand shareholder returns based on stable dividends	Maintain dividend on equity (DOE) of 5.3%* ²	5.0% (17th consecutive year of increasing dividends)
• Conduct investor relations (IR) activities focusing on individual business field		Held IR Day in June 2023 and Symphonict briefing session in December 2023
• Training of highly skilled professionals and human resource investment (¥5 billion; on a cost basis)	190 consulting personnel, 1,190 advanced DX professionals, 1,580 Beyond 5G professionals* ³	75 consulting personnel, 564 advanced DX professionals, 1,440 Beyond 5G professionals
• Conduct business investments (¥17 billion; on a cost basis) and M&As and other growth investments (¥38 billion; on a cash basis)		Developed (local 5G) systems to expand next-generation network business, and a DX service infrastructure (Symphonict) to strengthen DX business, among other efforts
• IT investment (¥8 billion; on a cost basis) (including cost of relocating headquarters)		Made investments related to the development of new core systems for strengthening data-driven management
• Enhance in-house programs to create new businesses for the NESIC Group		Launched open innovation program "Fusion" (→ P60) (10 teams applied)
• Enhance employee engagement score (researched by Kincentric)	50% (Tier 1 level) (FY2025/3) (This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level.)	28%
• Increase ratio of women in management positions	10% (FY2027/3)	7.0%
• Increase ratio of paid leave taken	100% (FY2027/3)	66%
• Promote participation in the Japan Master of Health Literacy Test		Number of people with qualifications: approximately 2,400 (→ P59)
• Hold constructive dialogue workshops aimed at promoting psychological safety		Held mandatory training for managers on constructive dialogue workshops By the previous fiscal year, psychological safety workshops were held for all managerial levels from executive officers to senior managers. (→ P57)

Initiatives to Provide Value to Society through 2030

To realize an inclusive and sustainable society created through communications, NEC Networks & System Integration Corporation's long-term vision for society, we have adopted three key initiatives for providing value to society through communications for 2030.



Create work environments in which everyone can take initiative

Expanding our lineup of wide-area shared service for local governments

In recent years, local governments have been ramping up efforts to utilize digital transformation (DX) technologies. However, issues are expected to arise in terms of human resources and costs where municipalities promote DX by themselves, and there is a growing need to achieve digitization at lower cost with less operational burden.

In response to this need, NESIC has built a wide-area shared service environment using the Company's own multi-cloud platform, Symphonic, that enables multiple organizations to collaborate seamlessly and share information efficiently using the Company's own multi-cloud platform, and has recently added it to its lineup.

The service's voice-related additions will contribute to improving staff efficiency and service quality for residents by reducing the burden of telephone work through automated voice response and visualizing inquiries by converting incoming voicemail into text.

This service will also help to streamline the handling of more complex inquiries in times of disaster. For example, when a resident or company contacts the office, the inquiry can be handled by an automated voice response system, and by converting the contents of the inquiry to text and

sharing it within the office, it will be possible to confirm all information, even in situations where it is not possible to respond in a timely manner.

As a leader in the promotion of DX in local governments, we will continue to strengthen the lineup of the Symphonic wide-area shared service and contribute to reforming the way in which local government employees work.

From press release issued on January 23, 2024



Develop pleasant and plentiful communities with cutting-edge technologies

Launch of HYPERNOVA, an all-in-one integrated core local 5G system integrating all functions necessary for local 5G communications into a compact unit

NESIC has launched HYPERNOVA, an all-in-one integrated core local 5G system in which all the functions necessary to build a local 5G environment are housed in a compact unit.

Local 5G is expected to contribute to the transformation of various fields, as it enables the construction of flexible network environments in line with user needs, and achieves high-speed, high-capacity communication and high security. On the other hand, the initial cost and effort required to build such a system has been a drawback, with adoption falling short of expectation.

This system has been made more compact and energy efficient through joint research with the University of Tokyo, allowing it to be easily carried anywhere and ready for use as soon as it is switched on.

It will contribute to enriching people's lives by expanding the range of situations in which local 5G can be used, including disaster sites, civil engineering and construction sites, and various events at stadiums and arenas.

The system won the Best of Show Award (Grand Prize) in the Mobile Computing (5G / 6G) category at Interop Tokyo

2024, an Internet technology event held in June 2024. A panel of judges comprising experts in the field selected the best products from among new products entered into the event by exhibiting companies.

From press releases issued on April 11, 2024 and June 13, 2024



Provide robust services that underpin safety and security in evolving society

Launch of a geographic information communication service that displays information and conditions at a particular location on a map, enabling users to understand and share this information

NESIC has begun providing a geographic information communication service that helps users make decisions by integrating public information such as weather, disasters, and traffic with map information and displaying and sharing it in a highly accurate format.

Companies with many worksites such as construction sites, and local governments that oversee a wide range of social infrastructure, collect and manage a wide variety of information on a daily basis. However, it is not always easy to share information between departments due to differences in their respective management methods and operating systems. In addition, because data provided as public information such as weather and traffic comes in different formats, it is difficult to gain an integrated understanding of this data together with the information within an organization, hindering the ability of companies and local governments to make quick decisions.

In addition to information about locations and facilities owned by customers, the service also integrates data published on various websites such as weather, traffic, and disaster information and displays it on a map, allowing users to freely overlay and confirm information according to their needs.

This enables efficient information-sharing, and in the event of a natural disaster or other emergency, it also enables information sharing across departments and organizations and real-time understanding of the situation at the location in question, contributing to quick and accurate decision-making and the safe continuation of business operations.

From press release issued on August 3, 2023





Shiori Ban

Empowered Business Promotion Division
DX Solutions Business Unit
NEC Networks & System Integration Corporation

Kazunori Kawamura

Associate Professor
Department of Human-Social Information Sciences
Graduate School of Information Sciences
Tohoku University

Yoshitsugu Ishiwatari

Business Process Innovation Strategy Division
Marketing & Sales Operations Unit
NEC Networks & System Integration Corporation

Daiki Hayashi

Empowered Business Promotion Division
DX Solutions Business Unit
NEC Networks & System Integration Corporation

Taking on Challenges through Industry–Academia Collaboration: A Society in Which No Person Is Left Behind

Associate Professor Kazunori Kawamura of the Graduate School of Information Sciences at Tohoku University is conducting research on the digitalization of democracy and working to resolve social issues. NESIC, which is helping to promote digital transformation (DX) by leveraging its strengths in progressing the DX efforts of a wide range of customers including companies and municipalities, is engaged in co-creation with the aim of digitalizing government. Dr. Kawamura and NESIC share their insights on these topics in this roundtable discussion.

The 2011 Great East Japan Earthquake: The Starting Point Background of the Industry–Academia Collaboration

Ishiwatari: I first met Dr. Kawamura at a forum held by Public Policy Studies Association JAPAN in June 2022, when a student conducting research under his guidance invited me to lecture on the theme of local council DX.

Dr. Kawamura: The student began their research into the digitalization of local councils after observing that councils did not function at all following the Great East Japan Earthquake. The student believed that systems based on the use of digital technology would be necessary in building stronger government administration. I organized the forum thinking that it would be meaningful for such a message to come from Tohoku University, which is located in the disaster-stricken area.



Ishiwatari: Subsequently, Dr. Kawamura asked us to join him in considering how to apply technologies being introduced by private companies to local councils and government, and the Future Society Design Programs were launched around the theme of digitalizing democracy, including local council DX. We are receiving advice from Dr. Kawamura as we develop services that apply our various technologies to the area of government, where there are legal restrictions.



Ban: I have also been involved in this initiative since the forum. I have long been responsible for promoting the DX of local governments, but prior to the forum, my work was centered on proposals for operational improvements in administrative staff. Through my interactions with Dr. Kawamura, I learned about the need for and current state of local council DX, for which I am currently developing services and making proposals to help its promotion.

Hayashi: I joined the Company in 2023, one year after the program was launched, and am currently developing services together with Ms. Ban. Having graduated from Tohoku University last year, I am excited to collaborate with my alma mater. I would like to create the kind of value that can only be achieved through industry-academia collaboration.

Co-Creation with a View to Digitalizing Democracy

Dr. Kawamura: Japan's political and administrative systems have been built up over time since the Meiji era and were not designed with digital technology in mind. The Future Social Design Programs aim to change this, and we are engaged in discussions on how to institutionalize democracy that utilizes digital technology. By offering narratives about how digital technologies can help people in need, we must also share perspectives that go beyond implementing digitalization for the sake of convenience. Good technology is important, but so are the words that appeal to people to adopt said technologies. As such, I believe that a combination of these two aspects can bring about change in society.



Ban: The digitalization of government is a new venture based on a system that has yet to be established, making it difficult to propose to customers. We are advancing through a process of trial and error, giving demonstrations so that customers have a sense of how the system will actually be used while conveying the narrative of building a society in which no person is left behind.

Ishiwatari: Accelerating co-creation by private companies and local governments is also an important role of the Future Society Design Programs. We are working to create a framework that allows multiple municipalities to operate and maintain the same systems in the form of cloud-based wide-area shared service. This will enable cost optimization and operation with minimal human resources, so we will expand the scope of co-creation through the programs to help more local governments.

Aiming to Resolve Social Issues

Dr. Kawamura: The student, who served as a bridge between me and NESIC, was suffering from an intractable disease, and once told me that their illness had led them to truly understand the significance of the digital inclusion that I often spoke about. Hearing the student's words, I began to view the importance of research into helping people in need through digital technology as a matter of personal concern. Through continued co-creation with NESIC and other private companies, based on the concept of digital inclusion, I aim to help realize a society in which no person is left behind.

Hayashi: We feel it will be very difficult to change cultures and customs that have been maintained up until now, so we would like to propose digitalization to local governments in stages. First, we would like to give people a chance to experience the services we can provide through actual demonstrations, then continue to communicate the need for these services, with the ultimate aim of use by local government staff and residents use them, thereby contributing to the improvement of resident services and revitalization of local communities. We would like to create new value by working together with Tohoku University and other partners that have strengths and expertise in areas where we are lacking.



Ishiwatari: I feel that digitalization is indispensable in resolving social issues such as Japan's aging population and shrinking workforce. The Japanese government is promoting DX in the public sector with the aim of introducing government cloud services by 2025. With an eye to the future, NESIC will also contribute to the realization of a society in which digital technology is widely embraced by accelerating the digitalization of local councils and local governments through co-creation with Dr. Kawamura.

Special Feature 2



Keisuke Ito

Infrastructures
Information Technology Department
Toyo Seikan Group Holdings, Ltd.

Taizo Fukami

Manager
System Planning
Information Technology Department
Toyo Seikan Group Holdings, Ltd.

Takashi Kishigami

Empowered Business Promotion Division
DX Solutions Business Unit
NEC Networks & System Integration Corporation

Airi Otawa

Manufacturing & Process Solutions Marketing & Sales Division
Marketing & Sales Operations Unit
NEC Networks & System Integration Corporation

Supporting Workstyle Innovation by Shifting Processes to the Cloud: Moving Forward Together as Good Partners

NESIC is working to improve the value it provides through co-creation with customers by refining its strengths through self-implementation centered on workstyle innovation, and Toyo Seikan Group Holdings, Ltd. (Toyo Seikan GHD) is accelerating workstyle innovation in the wake of the COVID-19 pandemic. Members from the two companies, which continue to co-create for further mutual transformation as good partners, discuss their thoughts in this roundtable discussion.

Proposing Optimal Solutions Based on Deep Understanding of Our Customers

Mr. Fukami: Our relationship with NESIC began when we installed one of our servers at their data center around 20



years ago. Since then, we have received extensive support in developing our ICT infrastructure, including the introduction of a group-wide network and web conferencing system.

Otawa: I am in charge of building a groupwide network that connects Toyo Seikan GHD with all of its subsidiaries. Through our long-standing relationship, I have become very familiar with the Toyo Seikan Group, and I take pride in being able to always offer them the most suitable network environment.

Mr. Ito: Toyo Seikan GHD began building a teleworking environment from 2014. Anticipating an increase in the number of employees who would find it difficult to commute every day due to factors such as child or family care, we aimed to create an environment that would enable employees to work as they do in the office regardless of location. Then, in 2020, the pandemic ushered in a sharp rise in the need for telework.

Mr. Fukami: Since we had been developing this environment for some time, we thought we could smoothly implement the transition to telework, but hadn't accounted for the possibility of all employees accessing the system at once. As such, when we reached the actual implementation stage, it became clear that our network would be over capacity. So, we consulted with NESIC, who responded quickly.

Leveraging Know-How Gained from Self-Implementation to Accelerate Customers' Workstyle Innovation

Mr. Ito: After that, Toyo Seikan GHD decided to introduce several cloud services to strengthen security and improve operational efficiency when teleworking. We asked NESIC for help, as they were familiar with our network, had a wealth of know-how from their own practical experience and had a track record with large-scale construction.



Otawa: NESIC has been implementing workstyle innovation since 2007 and has accumulated know-how through the early implementation of cutting-edge workstyles such as paperless systems and processes, telework, and

distributed work locations. When the pandemic struck, we provided Toyo Seikan GHD with Box, a cloud-based storage service, and DocuSign, a digital contract system.



Kishigami: We began introducing the services in the middle of the COVID-19 pandemic, so the only time we met in person was at the project kickoff meeting, after which exchanges were conducted entirely online. I was a little concerned that there would be a lack of communication when providing support, but thanks to the established remote working environments of both companies, we were able to hold online meetings whenever we wanted, and I think we communicated well after all.

I recall having a difficult time optimizing the design to serve as a common platform for the entire group. By setting up an administrative account for each group company, we were able to maintain individual companies' flexibility while ensuring security by unifying operational rules. I particularly remember having to redesign and customize an automated operation tool many times for a group company that presented us with complex requirements.

Mr. Ito: Toyo Seikan GHD had little experience in introducing large-scale cloud services, and as we had started introduction of another large-scale project around the same time, employees were initially quite bewildered, and we had difficulty promoting effective use of the service within the company. NESIC helped us to promote the service after its introduction by holding study sessions and providing information on how it could be used effectively.

Mr. Fukami: Thanks to NESIC's efforts, we were able to promote the widespread use of these tools within the company, and having an environment in which we can access information and work from anywhere has become the norm. I feel that employees' attitudes toward new tools have changed slightly since their introduction, which has become symbolic of our efforts to accelerate workstyle innovation.

Kishigami: Initially, we only supplied the system at four Toyo Seikan Group companies. After the benefits of the system became clear, it was expanded to other group

companies, and now has around 10,000 users. I am very happy to hear that our services have led to improvements in convenience and operational efficiency.

Mutually Increasing Corporate Value as Partners

Otawa: As ICT technologies continue to advance day by day, NESIC will continue to practice self-implementation and refine its own strengths. We would like to contribute to increasing the corporate value of Toyo Seikan GHD by sharing ideas with them and rising to their expectations.

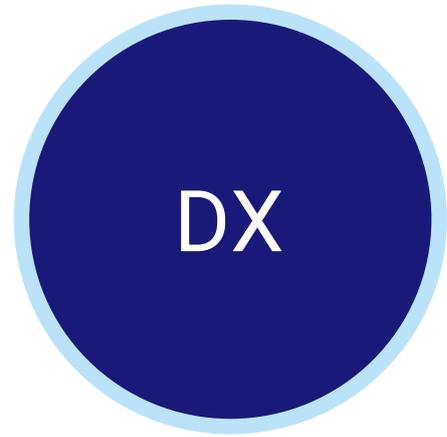
Mr. Fukami: Through the introduction of these tools, I came to realize that it is extremely important to not only develop the ICT environment itself but also bring about change in people's behavior when promoting workstyle innovation. Even if we introduce the latest tools, they will never be truly beneficial if the awareness and behavior of employees—the users of said tools—does not change. We hope that NESIC will continue to be more than just a vendor that helps us introduce tools, as a partner with whom we transform our processes by using those tools and generate greater corporate value together.

Mr. Ito: Recently NESIC has suggested that we gather and analyze usage data for such tools. I hope we can maintain a relationship in which we can enhance one another's value by having NESIC introduce to other customers what has worked well for Toyo Seikan GHD, and then having them feed back to us the knowledge they have gained.

Kishigami: We also place importance on how to change user behavior when promoting DX, which I really think is the essence of the matter. We will continue to support Toyo Seikan GHD by continuously updating solutions that will help the company resolve issues and contribute to further accelerating workstyle reforms.



NESIC's Strategic Road Map



2019

2021

2022

Beyond Borders 2021

Preparation period
for continuous growth

Medium-Term Management Plan Shift up 2024

Evolution
into a new business
structure

Realization
of DX × Beyond 5G

Co-creation and self-implementation
business model

Self-implementation-based consulting

Medium-Term Management Plan

Shift up 2024

Elevating society

DX × Beyond 5G
From demonstration
to realization

Relationship with
customers
From co-creation to
creation in harmony

Business model
From project-type to
spiral-type

Under our medium-term management plan Shift up 2024, we will give form to the Digital × 5G demonstrations conducted under our previous medium-term management plan, developing services that are geared to resolving social issues. We will also evolve our co-creation relationships with customers into strategic partnerships that collectively overcome the increasingly complex key issues of society. Furthermore, we will build recurring relationships in which we constantly work in harmony with customers and increase the value we provide, evolving our business model into one that achieves spiral-type business growth. We aim to create new forms of social value, and realize a sustainable and prosperous society that we like to call a "Sustainable Symphonic Society."

*1 We have revised definitions and targets set during the announcement of the medium-term management plan to include additional criteria, such as skill level acquired from qualifications and training.

*2 Score that quantifies employee loyalty and relationships of trust with the company. Average employee ratio of over 4.5 in six related questions (answers valued on a scale from one to six)

*3 We have brought forward targets set at the announcement of the medium-term management plan for reducing Scope 1 and 2 CO₂ emissions to accelerate our contribution to climate issues, which is our responsibility as a company. The rate of reduction in the fiscal year ended March 31, 2024 is based on calculations from before implementing third-party verification. These are subject to change following the results of verification.

Financial Targets

(¥ billion)
Net sales
Operating income
Operating margin
ROE

Non-Financial Targets Note: Figures in the table below, except

Human resources* ¹ (employees)	Consulting personnel
	Advanced DX professionals
	Beyond 5G professionals
Engagement score* ² (researched by Kincentric)	
Ratio of women in management positions	
GHG emissions (Scope 1, 2)* ³	

Progress of Medium-Term Management Plan Shift up 2024

Medium-Term Management Plan

Shift up 2024

Elevating society

<p>DX × Beyond 5G</p> <p>From demonstration to realization</p>	<p>Relationship with customers</p> <p>From co-creation to creation in harmony</p>	<p>Business model</p> <p>From project-type to spiral-type</p>
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Overview of Shift up 2024

- Basic Strategy 1** **Accelerate Original Value Creation**

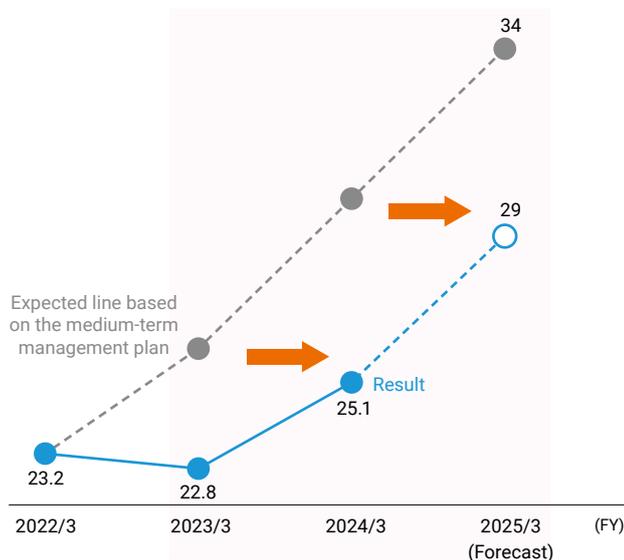
With Symphonict at the core, we will create value and provide customers with optimal digital transformation (DX) × Beyond 5G services. We will pursue unique value through co-creation with customers and partners, work to provide the best solutions for our customers through consulting services based on our self-implementation practices, and provide a lineup of services that will make those solutions a reality.
- Basic Strategy 2** **Advance Solution Capabilities**

We will combine our existing businesses and assets to further advance our DX × Beyond 5G technologies. In the area of telecommunications infrastructure, we will expand from construction to the service domain, while at the same time promoting the social implementation and commercialization of local 5G. We will also create social value and community development projects for both the public and private sectors, and reexamine all our operations with a view to addressing climate change and link these efforts to business expansion.
- Basic Strategy 3** **Evolve into a DX-Native Company**

We will improve quality, speed, productivity, and profitability by applying DX to all processes, while creating reference models based on self-implementation. In addition, we will work to secure and nurture human resources who possess advanced expertise—a source of customer value—while advancing the innovation of our DX platforms that support management.

Progress against Medium-Term Management Targets

Operating income (¥ billion)



Summary of the fiscal year ended March 31, 2024

Although one year behind schedule, we are seeing a return to our planned profit growth rate. We are working to accelerate the pace of further profitability improvement

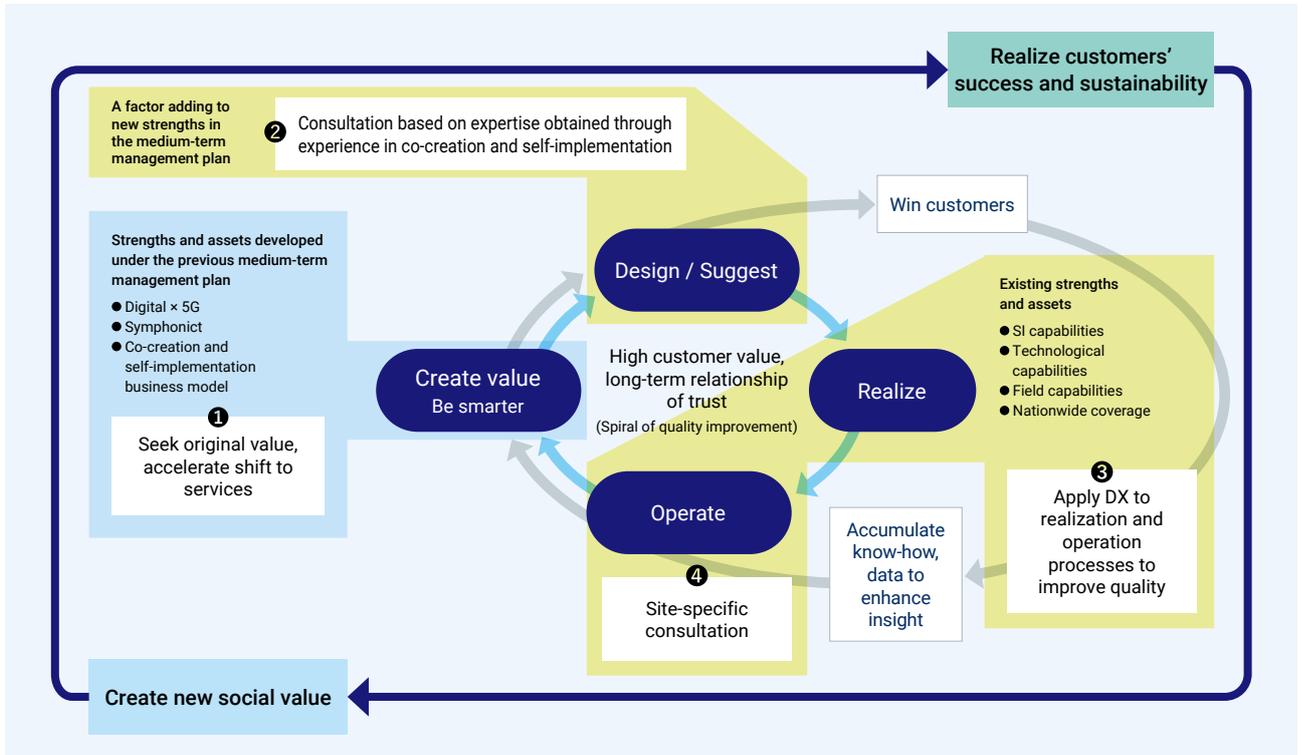
In the fiscal year ended March 31, 2023, the first year of Shift up 2024, we were unable to increase the speed of our strategy implementation due in part to the time taken to respond to sudden exchange rate fluctuations and semiconductor and component shortages, and we were unable to absorb upfront costs for growth, resulting in a decrease in profits.

As we entered the fiscal year ended March 31, 2024, while we saw downward pressure from greater-than-expected investment restraint by telecommunications carriers, wage increases, and other factors, our strategies centered on the DX Solutions Business began to gain momentum, and after a one-year delay, income growth returned to the planned trajectory.

We aim to achieve our revised forecasts by accelerating the implementation of our strategies and improving profitability.

Spiral-Type Growth Model: A Recurring Model Based on Consultation

We aim to reinforce the self-implementation and site-specific consultation services we provide based on expertise obtained through our experience in co-creation and self-implementation. As a result, we make connections with our new proposals by deepening the relationship of mutual trust with our customers for the purpose of enhancing the value we provide and further reinforcing our consulting capabilities to evolve NESIC's business model.



Progress of Measures Outlined in Shift up 2024: Spiral-Type Growth Model

Through the initiatives for self-implementation and site-specific consultation set out in our spiral-type growth model, we are deepening relationships of mutual trust with our customers and increasing the number of regular, large-transaction customers who make major purchases.

While refining the process of identifying issues and presenting solutions by rotating the spiral, we will work to enhance value-added services and expand the scope of our businesses by strengthening our human resources, thereby increasing the speed of improvements in profitability.

	Top line	Profitability	
	Number of orders received and net sales exceeded previous records	Despite a slight decrease in company-wide gross profit margin partly due to the impact from reduced investment by telecommunications carriers, the DX Solutions Business saw results in expanding its focus areas and improving the gross profit margin	
	Results	Issues	
Consultation-type approach	Orders by this approach YOY 5 times Approx. 20% of non-consolidated orders	<ul style="list-style-type: none"> Changed mindset of sales personnel regarding upstream approach Horizontal expansion of the know-how 	Small contribution to profitability improvement ⇒ Enhancing data usage, consulting personnel
Customer base enhancement	Large recurring accounts in private sector YOY +8% Orders received per account +9%	<ul style="list-style-type: none"> Promoted co-creation and enhanced strategy to create repeat business Management using SFA* 	⇒ Steady implementation in line with account strategy
High-value-added business	Strategic area sales in DX Solutions YOY +35%	<ul style="list-style-type: none"> Acquired demand for workstyle innovation, network security upgrade using DX 	Delay in DX usage in other segments ⇒ Environmental & Social Solutions (DX x infrastructure business)

* SFA: Sales force automation

Basic Strategy 1: Accelerate Original Value Creation

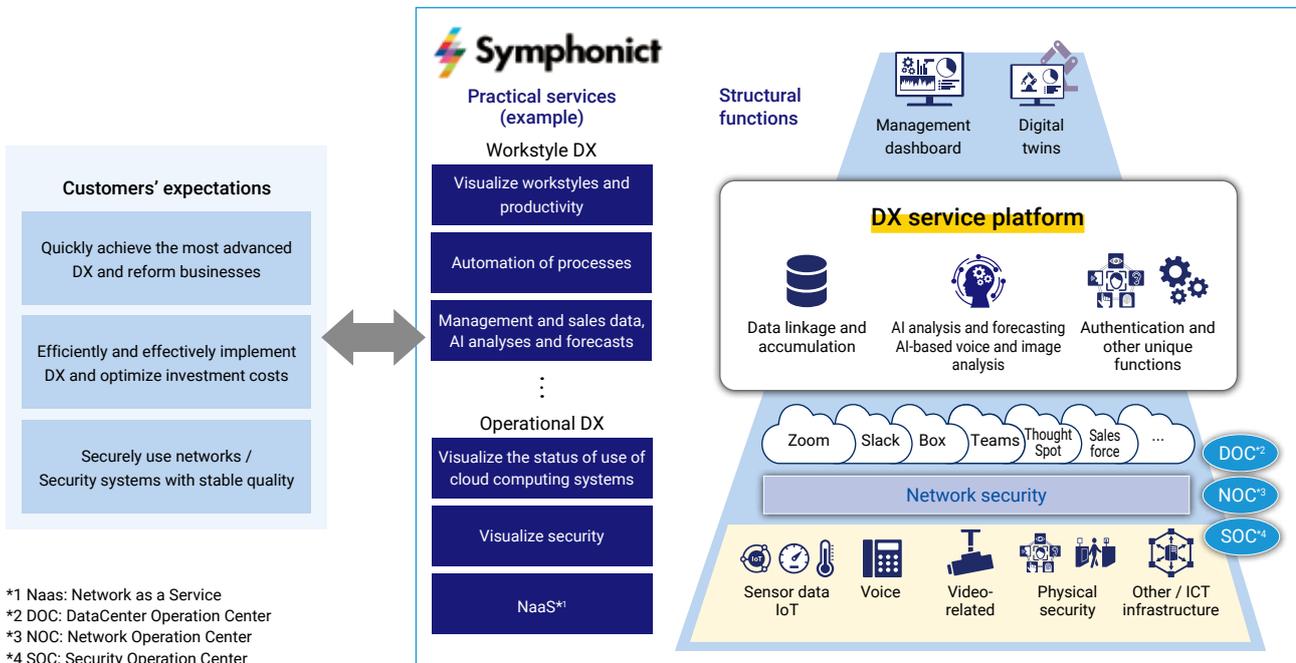
We will combine the knowledge of resolving issues under each theme supported by self-implementation with a cycle of collecting data, implementing solutions, and carrying out verification that includes unique cloud-based services to successfully lead our customers' transformation.

Additionally, we are working to develop an offering-type model that incorporates models of various services and knowledge according to customer issues, and we will continue to provide value in a timely manner to an expanding customer base.

Value Creation through Symphonict

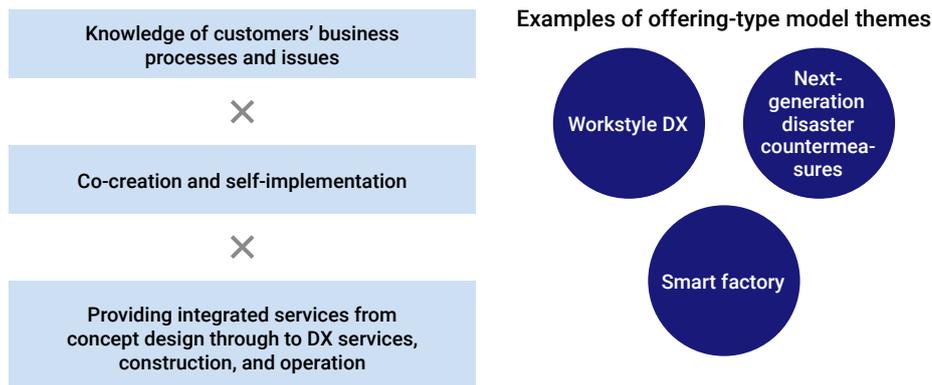
Symphonict services help customers achieve quick development, safe introduction, and efficient operation in their DX efforts, and support the resolution of management issues.

Specifically, we use a unique platform with a variety of functions along with the know-how we have accumulated through self-implementation to connect customers' ICT equipment to multi-clouds via secure networks, and gather the data obtained in their operation. By integrating and analyzing this data, and providing a process for visualization, prediction, and verification, using technologies such as digital twins, we will help our customers accelerate their transformation.



Development of Offering-Type Model

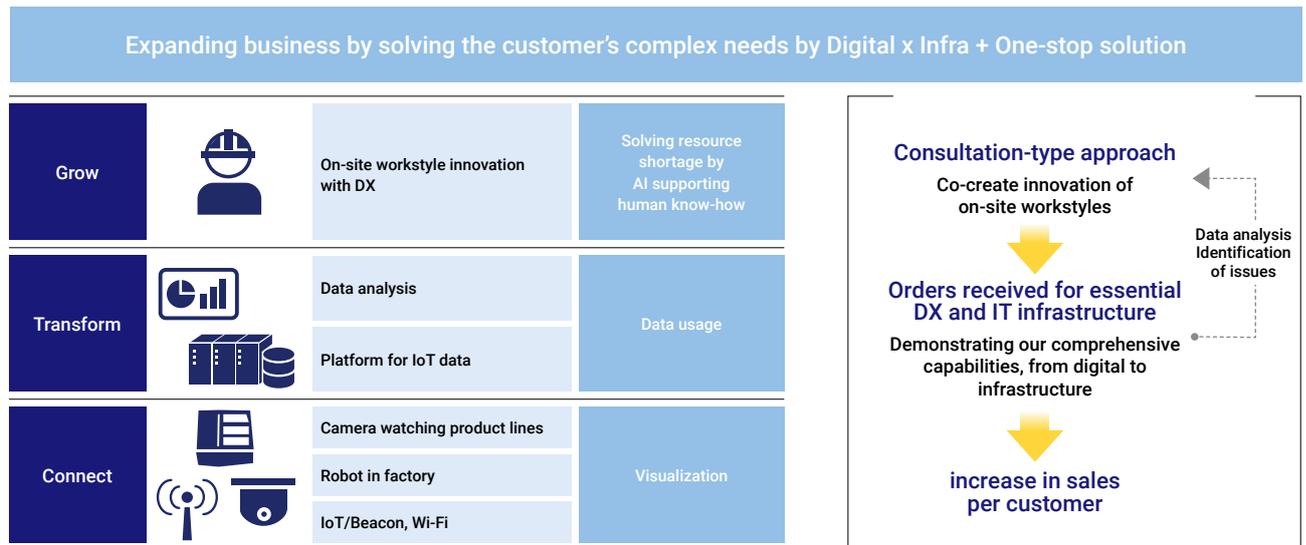
NESIC's strength is our ability to deeply understand customer business processes and issues through the development of a site-specific business. Additionally, we are developing a model that packages this strength from the perspective of value creation by combining self-implementation and customer co-creation focused on workstyle innovation with our ability to provide integrated services from concept design to system building, implementation, and operation, leading to solutions for customer issues.



Customer case study in the manufacturing industry (smart factories and workstyle reforms)

We invite our existing customers, who we have provided private branch exchange (PBX) and network infrastructure, to visit our Nihonbashi Innovation-Base, where we introduce a suite of solutions that will accelerate their growth, along with specific examples.

We offer these solutions to address not only customers' existing issues but also the digital transformation of on-site workstyles that will lead to the resolution of future issues, such as transferring expert craftsmanship to the next generation. By implementing these solutions at other factories and companies, we will expand the value we provide to our customers and society while improving profitability.

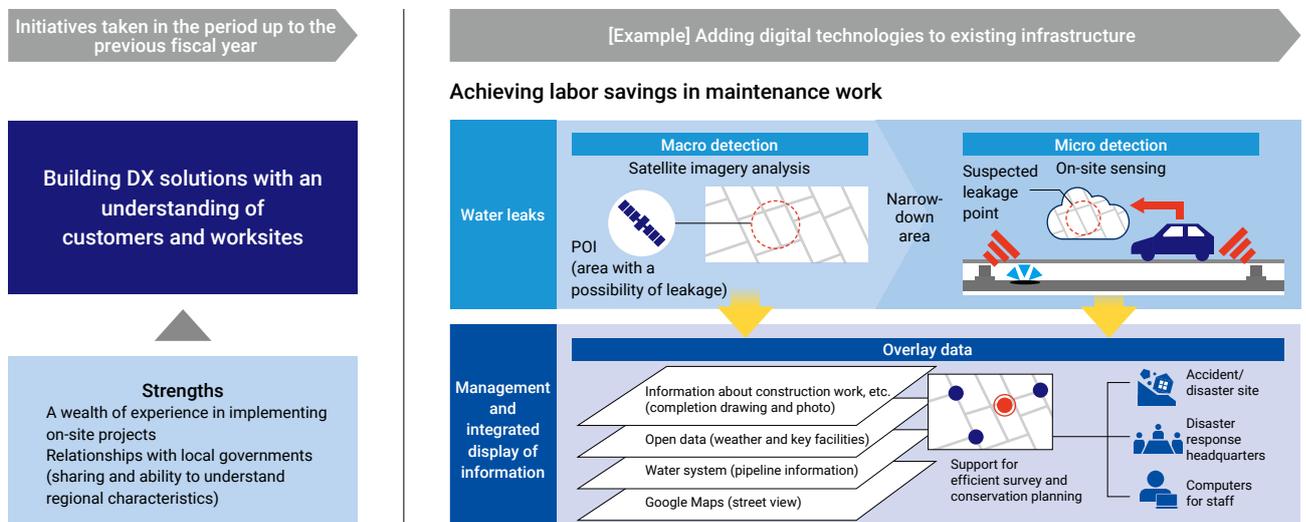


Basic Strategy 2: Advance Solution Capabilities

By re-examining the issues that have been resolved in existing businesses and assets, and combining them with DX × Beyond 5G, we will continue to create social value by enhancing our solution capabilities.

Community Development Strategies and Progress

We are working with customers to resolve fundamental challenges faced by those working on the front lines of public infrastructure—a social issue. As part of efforts to promote on-site workstyle innovation, we will add DX technologies to our existing businesses to achieve a new approach to solving issues and contribute to the development of safe and secure communities.



Implementation of Businesses that Address Climate Change

Among the various social issues, we see climate change as an extremely important management concern, and are working to help solve this issue through our self-implementation and co-creation.

We will refine the know-how we have gained through self-implementation and co-creation by focusing and strengthening our resources, and we will enhance the content of our proposals to our customers. In addition to our existing engineering, procurement, and construction projects, we will maximize the provision of social value by providing one-stop, recurring value propositions that are closely aligned with customers' issues from the perspective of lifetime value.

	Initiatives taken in the period through FY2024/3	Bolstering the revenue base (from FY2025/3)	Establishing revenue bases and achieving further growth (to FY2028/3)
Offering value to customers	<p>Renewable energy</p> <ul style="list-style-type: none"> Build self-consumption solar power generation systems Start provision of on-site power purchase agreement service beginning with NESIC advanced aquaculture, Inc. <p>Solutions for power-saving measures</p> <ul style="list-style-type: none"> Joint testing of an immersion-cooling system with major companies 	<p>Enhancing initiatives in service businesses</p> <ul style="list-style-type: none"> Full-scale launch of on-site power purchase agreement service business Establish a system for providing one-stop immersion-cooling solutions Transform power-saving solutions into cloud-based service business 	<p>Developing a value provision model</p> <ul style="list-style-type: none"> Provide optimal renewable energy models Provide service for automating power saving <p>Provide continuous support to customers through above efforts</p>
Our actions	<ul style="list-style-type: none"> Demonstration of visualization of the environment at Shibaura head office (office environment + digital twins) Reduction of greenhouse gas emissions 	<ul style="list-style-type: none"> Reorganization of business structure related to the environment (concentration of approx. 200 full-time staff members as resources) Achievement of net zero in Scope 2 (FY2025/3) 	<ul style="list-style-type: none"> Development of human resources for creating and providing services Achievement of net zero emissions in Scope 1 and 2 (FY2031/3)

Example of Power Saving Measures: Demonstration Testing of Liquid Immersion Data Center

We are currently conducting a demonstration test of a data center that uses immersion cooling equipment in collaboration with KDDI CORPORATION and Mitsubishi Heavy Industries, Ltd. We have already seen results such as a reduction of more than 90% of power consumed by cooling servers compared to conventional data centers. In response to technological advances such as AI and increased server loads, we will accelerate our efforts to achieve more stable implementation, and support our customers' decarbonization and contribute to global environmental conservation by providing a recurring one-stop service centered on immersion technology.



One-stop services on immersion-cooling solutions	
POINT 01	<p>Construction of immersion-cooling systems</p> <ul style="list-style-type: none"> Both facilities and IT equipment are covered. Design and construction of optimal equipment tailored to purposes
POINT 02	<p>Operation monitoring</p> <ul style="list-style-type: none"> Monitoring and control of facilities and equipment Integrated monitoring of immersion-cooled servers and network equipment
POINT 03	<p>Maintenance service</p> <ul style="list-style-type: none"> Maintenance of facilities and equipment Maintenance of immersion-cooled servers and network equipment

Basic Strategy 3: Evolve into a DX-Native Company

To further accelerate our spiral-type growth model, we are working to develop human resources who possess advanced expertise—a source of customer value. We aim to evolve into a DX-native company and make innovation a matter of course by developing and utilizing DX platforms that support management.

Development of Advanced Human Resources

Although we are making steady progress in the development of advanced human resources, the difficulty of doing so based on the level of skills acquired, rather than simply qualifications and training, has resulted in longer training periods. We are responding by systematically creating and expanding opportunities for practical training to ensure ample time is given to training and development.

	Consulting personnel	Advanced DX professionals	Beyond 5G professionals
Performance in FY2023/3	39	444	1,216
Performance in FY2024/3	75	564	1,440
Targets for FY2025/3	190	1,190	1,580

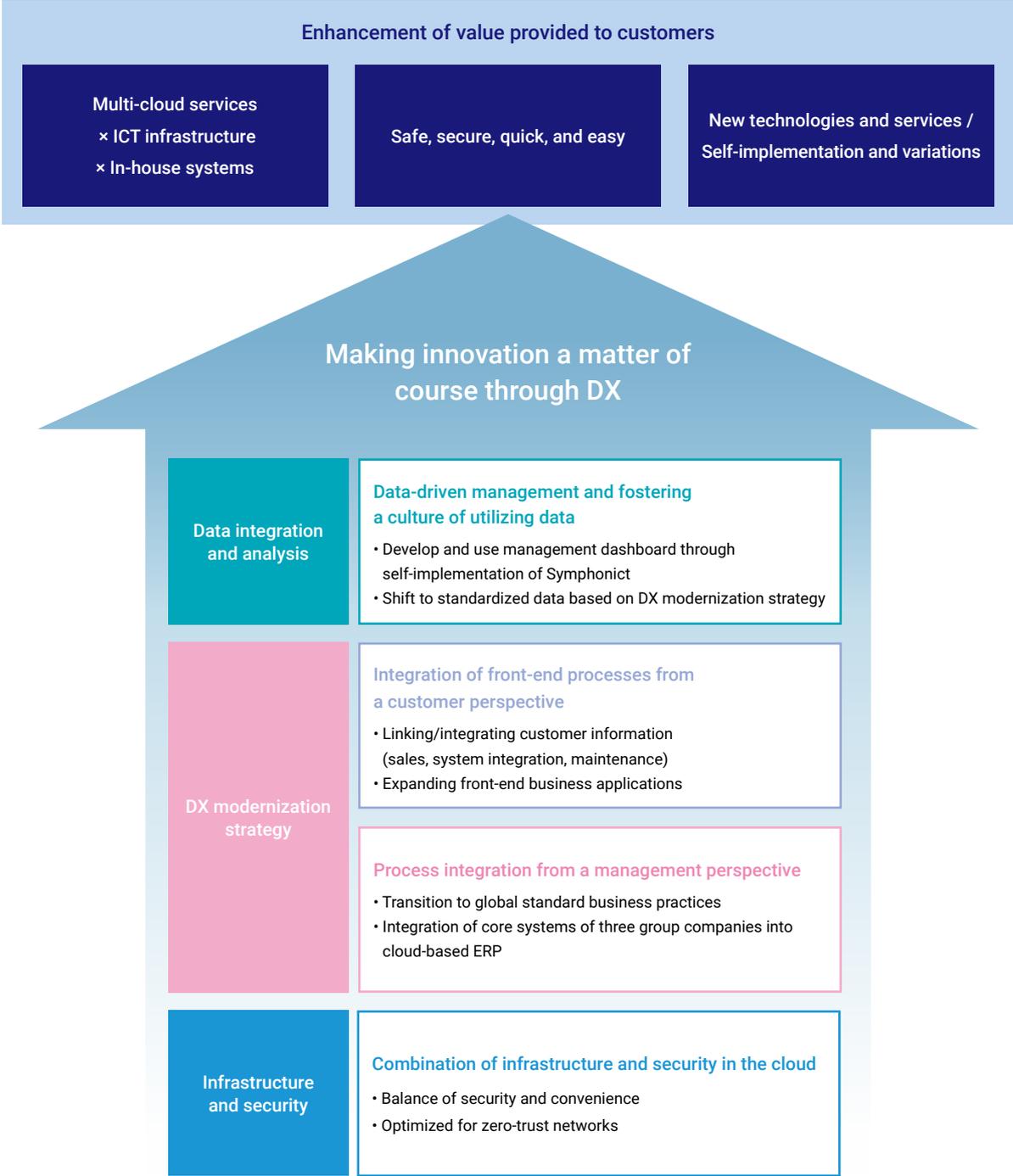
Note: We have revised definitions and targets set during the announcement of the medium-term management plan to include additional criteria, such as skill level acquired from qualifications and training.

Making Innovation a Matter of Course through DX

We are advancing the development and utilization of a management platform that supports NESIC becoming a DX-native company.

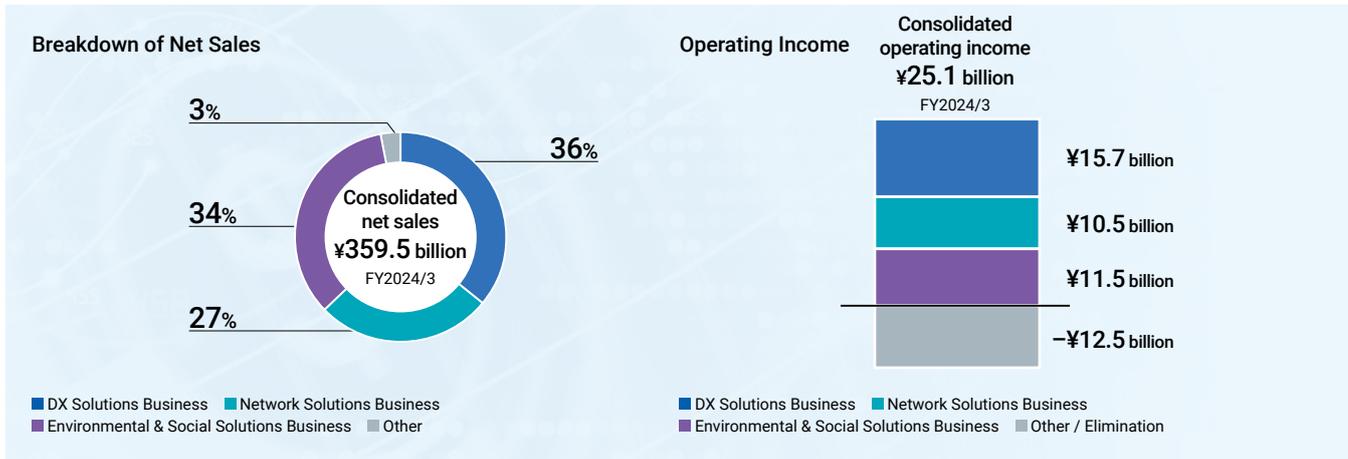
As part of our DX modernization strategy, we have integrated all customer-related processes (sales, system integration, maintenance) into Salesforce, and our core system is currently being developed in accordance with the "Fit-to-Standard" approach in order to flexibly and quickly keep up with changes in the social and ICT environments.

We will integrate customer information, financial information, and non-financial information that has been standardized through modernization, and leverage the knowledge not only in-house but in consulting services based on our self-implementation practices to enhance the value we provide to customers.



NESIC Segments

Currently, NESIC operates business in three segments, with a market-specific approach added to our technology-specific structure. We aim to realize a spiral-type growth model in which we build recurring relationships with customers as a strategic partner centered on our site-specific and self-implementation-based consulting services and create new value through the accumulation of data. To this end, we will further strengthen collaboration among our three business segments.



Business Segments

Figures for FY2023/3 and FY2024/3 have been reclassified to reflect the change in segments (Network Solutions Business and Environmental & Social Solutions Business) from the partial transfer of business in April 2024.

DX Solutions Business

Net Sales
¥129.7 billion

Operating Income
¥15.7 billion

FY2024/3

The DX Solutions Business provides a comprehensive service for consultation on systems and their development, maintenance and operation to introduce network environments and ICT tools for workplaces, primarily for companies and local governments, related to ICT that are essential to our customers' business activities and their efforts to improve business processes.

In particular, we propose workstyle approaches that are not bound by time or location, improve productivity, and spur business innovation through the use of AI, IoT, digital twins, and other cutting-edge digital technologies. We also help diversify and enhance the quality of new workstyle approaches by improving corporate value for customers and addressing social issues such as balancing work with childcare and nursing care, and increasing job satisfaction.

Network Solutions Business

Net Sales
¥97.6 billion

Operating Income
¥10.5 billion

FY2024/3

In addition to networks for telecommunications carriers and next-generation network services such as local 5G, an application of these networks, the Network Solutions Business provides system development, maintenance, and operation services for social infrastructures that require advanced and specialized technical capabilities and ensure reliability, including transmission and studio facilities for broadcasters, aerospace- and national security-related businesses such as satellite and space exploration operations and various telecommunications equipment, and marine businesses such as submarine communications networks and seismometer systems.

Utilizing our advanced and specialized technical expertise, we help bring comfort, safety, and peace of mind to people's daily lives and their future through smartphones, TV broadcasting, emergency earthquake and tsunami warnings, weather observation, space development, and other means.

Environmental & Social Solutions Business

Net Sales
¥122.6 billion

Operating Income
¥11.5 billion

FY2024/3

The Environmental & Social Solutions Business provides SI and construction services for a wide range of social and public infrastructures throughout Japan, including communications infrastructures and an array of services for local governments, firefighting and disaster prevention networks, CATV, and networks for railways and roads, as well as overseas infrastructure development businesses, centered on five local subsidiaries.

We also offer a number of support services, such as maintenance, operation and monitoring, and outsourcing for the various ICT systems and services we provide.

NESIC helps ensure the safety and security of systems and services with a 24/7 full-service structure that can dispatch personnel and deliver products within two hours anywhere in Japan, which can only be provided by a company that protects social and public infrastructure, such as contact centers regarding networks of the customers and comprehensive technical centers that provide logistics and technical services.

Overview by Business Segment

DX Solutions Business

VISION

We aim to become a strategic partner to our customers that supports their management strategies through ICT by working with them to make proposals for improvement and to solve their issues from various angles, such as workstyle DX.



Osamu Kikuchi

Senior Vice President,
Chief Digital Officer (CDO),
Executive General Manager,
DX Solutions Business Unit

Opportunities / Threats

- Purpose of DX expanding beyond workstyle innovation to the strengthening of management and the business itself as well as extending to the public sector
- Change in needs from a business model centered on product SI to a solution service delivery model that utilizes cloud services

Strengths / Features

- Ability to provide one-stop DX service solutions for everything from front-line operations to cloud services
- Flexibility and quickness to constantly utilize the most cutting-edge and optimal services through a multi-vendor approach
- Ability to discover DX technologies that are a step ahead of our peers and the ability to apply solutions through self-implementation

Progress of Business Activities and Initiatives Going Forward

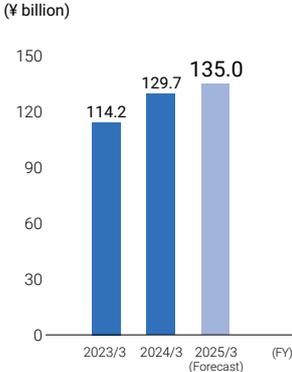
Currently, demand for DX-based remote work solutions is evolving into a hybrid workstyle combining the advantages of working from home and at the office. Also, the need to review network security is increasing with the greater use of remote work and cloud computing. Under such circumstances, in the fiscal year ended March 31, 2024 sales expanded mainly in highly profitable strategic areas, including workstyle DX and next-generation network security, and operating income and operating margin both improved significantly from the previous year. We feel that our strategies have begun to move forward with the expansion of business into new areas. This includes the proposal of comprehensive solutions for reviewing OT* networks and integrating them with IT by utilizing our expertise in workstyle innovation, which was previously centered on offices, to tap into demand for workstyle innovation of factory floors.

One of our strengths at NESIC is our ability to provide comprehensive solutions through the integration of existing networks and facilities and state-of-the-art cloud services. One of our strengths at NESIC is our ability to provide comprehensive solutions through the integration of existing networks and facilities and state-of-the-art cloud services and we are expanding our business scale from the direction of both existing and DX businesses. In reality, along with our business expansion from existing businesses to the DX business, we have been broadening our customer relation beginning with providing services to monitor the flow of people using digital twin technology to expanding into conventional businesses, such as networks, cameras, and monitors. In addition to such

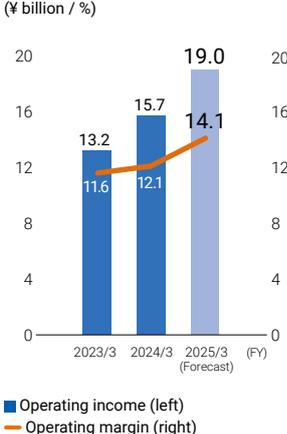
accomplishments, in the fiscal year ending March 31, 2025 we will further expand our recurring business with customers and enhance profitability by providing even more added value and helping resolve the issues of a wide range of customers.

* OT: Operational Technology

Net Sales



Operating Income / Operating Margin



Note: Forecasts for FY2025/3 are as of July 30, 2024.

Network Solutions Business

VISION

We offer advanced technologies with high specialty to connect society from the floor of the ocean to the far reaches of outer space in optimal forms to help realize a digital society with greater security and convenience.



Yukinobu Noguchi

Senior Vice President,
 Executive General Manager,
 Network Solutions Business Unit

Opportunities / Threats

- 5G technology popularization and telecommunications carrier investment trends
- Change in needs for development of social infrastructure toward realizing a sustainable society (including expansion of use into outer space and strengthening of disaster response and national security)
- Break free from vendor lock-in through the trend toward openness and virtualization

Strengths / Features

- Unrivaled strengths in communications technology as a member of the NEC Group and multi-vendor SI capabilities that leverage our years of experience
- Nationwide maintenance and operation system
- Extensive customer base ranging from telecommunications carriers to social infrastructure providers and a deep understanding of our customers' business activities through our years of experience in providing maintenance and operation services

Progress of Business Activities and Initiatives Going Forward

In the fiscal year ended March 31, 2024, our business environment was significantly impacted by a further curtailment in infrastructure investment by telecommunications carriers in the latter half of the year. This led to a significant decline in profits in the system integration (SI) domain, which tends to be highly profitable, as well as a decrease in profits of social infrastructure businesses from the impact of a temporary increase in equipment projects, despite an increase in sales. On the other hand, we completed structural reforms for telecommunications carriers by shifting resources to the social infrastructure field, where demand is strong, and have laid the foundation for the expansion of social infrastructure.

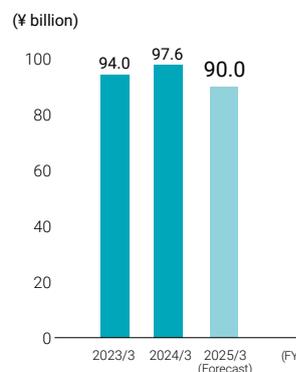
Although we do not foresee a recovery in the investment situation of telecommunications carriers in the fiscal year ending March 31, 2025, we will restore profitability and promote measures for growth in the following fiscal year and beyond.

Specifically, for telecommunications carriers, we will utilize our multi-vendor SI capabilities to capture the trend toward open system integration, in addition to proceeding with technology development in mission-critical areas of government agencies. In the area of next-generation networks, such as local 5G, we will develop solutions through co-creation with customers and deploy them in markets where reliability is paramount by leveraging our proprietary product that can develop a communication environment through the use of a single compact device.

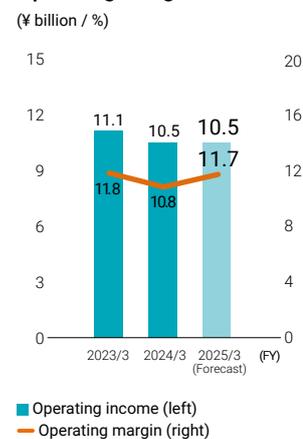
As for the social infrastructure field, we will expand business in the thriving aerospace and national security markets on the strength of our ties to NEC, along with reinforcing our framework

for pursuing business expansion independently. In the marine domain, although submarine communications networks are in a transition phase, we will expand business by tapping into demand for power line construction in offshore wind power and for monitoring and observation services in disaster prevention and resource development.

Net Sales



Operating Income / Operating Margin



Notes: Figures for FY2023/3 and FY2024/3 have been reclassified to reflect the change in segments (Network Solutions and Environmental & Social Solutions) from the partial transfer of business in April 2024. Forecasts for FY2025/3 are as of July 30, 2024.

Environmental & Social Solutions Business

VISION

On the strength of our engineering capabilities and our network of service centers, we aim to become a business operator that helps create and develop communities where people can continue to live safely and with peace of mind while helping revitalize regions by achieving a recycling-oriented society.

Yuichi Nishida

Senior Vice President,
Executive General Manager,
Environmental & Social Solutions
Business Unit



Opportunities / Threats

- Increase in ICT investment triggered by the shift toward a decarbonized society and digitalization, and disaster prevention and mitigation by local governments
- Decrease in existing businesses due to increasing migration to cloud services

Strengths / Features

- Extensive customer base centered on local governments and the public sector
- Construction and support service assets that can be handled nationwide, even in mission-critical public and social infrastructure
- Ability to provide solutions by linking industry knowledge with company-wide DX and network technology

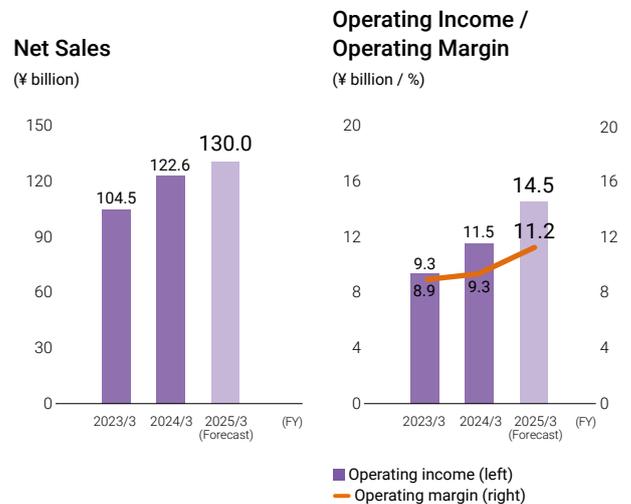
Progress of Business Activities and Initiatives Going Forward

In the fiscal year ended March 31, 2024, net sales and operating income both increased significantly due to the favorable performance of the domestic construction business, primarily roads and other transportation-related ICT. In the construction business, we are effectively assigning project personnel to expand business in areas where we can further harness our strengths and working to widen our presence in SI areas that offer high added value, as well as enhancing our customer-centric life cycle management services in the maintenance service business. These efforts have led to improvements in our current order backlog and gross profit ratio.

In addition to such accomplishments, in the fiscal year ending March 31, 2025 we will endeavor to enhance profitability by providing even more added value in our existing construction and maintenance businesses. In the area of firefighting and emergency networks, in particular, where we have developed an overwhelming competitive advantage with our product capabilities and customer know-how as a member of the NEC Group, the demand for wireless digital technology that we witnessed around a decade ago will pick up once again and we will steadily capture this renewal demand.

Meanwhile, we will work to expand new fields such as DX-based community development by reflecting on past delays in our previous efforts from the extensive and ambiguous use of DX to focus on reforming workstyles of front lines that support public infrastructure, where we can utilize our strengths to the fullest. For example, we are streamlining the process of water pipe leak detection, which used to be handled manually, through the use of

satellites and vibration sensors to pinpoint the location of leaks. In these and other ways, combining our extensive customer base with DX and next-generation networks, we will continue to build safe and secure communities.



Notes: Figures for FY2023/3 and FY2024/3 have been reclassified to reflect the change in segments (Network Solutions and Environmental & Social Solutions) from the partial transfer of business in April 2024. Forecasts for FY2025/3 are as of July 30, 2024.

Financial and Capital Strategy



Enhancing Corporate Value by Supporting the Company’s Growth Strategy from Both Financial and Non-Financial Perspectives

Junji Ashida

Senior Vice President, Member of the Board and Chief Financial Officer (CFO)

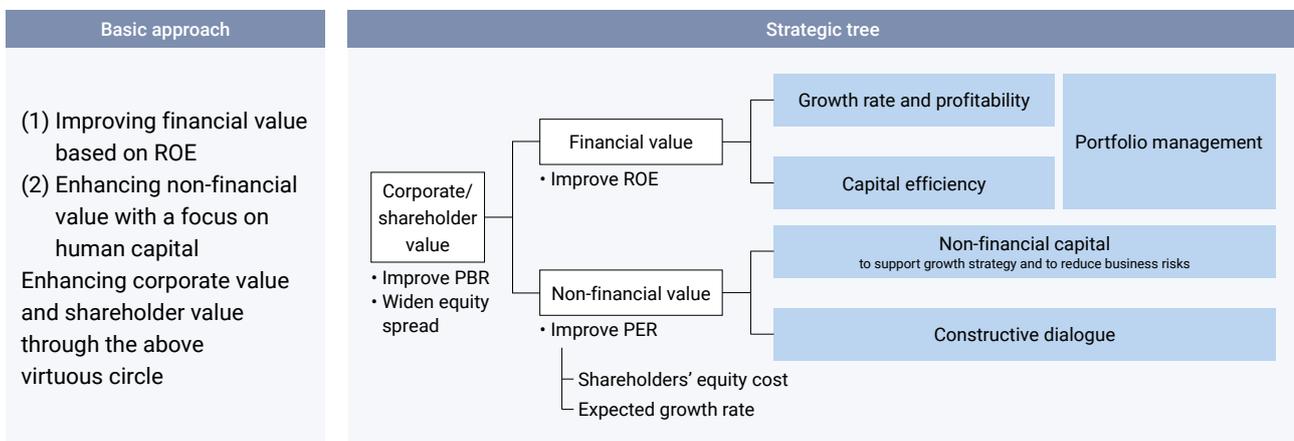
Approach to Sustainably Increasing Shareholder and Corporate Value

I was appointed chief financial officer (CFO) of NESIC in June 2024. I have extensive experience working in management strategy divisions, which are responsible for formulating medium-term management plans and organizational reform. In addition to being the person generally responsible for accounting and financial affairs, CFOs are now expected to take the lead from a broader perspective, focusing on increasing shareholder value and corporate value, and I would like to draw on my previous experience in this role.

To increase shareholder and corporate value, it is necessary to continue to create value for society from a long-term perspective; meet the expectations of various stakeholders, including shareholders, investors, customers, employees, and partner companies; and continue to be the company of choice. In my role as CFO, not only do I aim to increase capital efficiency—in other words, return on equity (ROE)—and maximize returns that exceed capital costs, I always keep in mind the perspective of resolving social issues to

achieve a sustainable society, so I will also work to strengthen non-financial value / ESG initiatives focused on the Company’s materiality issues. While taking into account our growth potential, and investor expectations from a variety of perspectives, I would like to pursue the optimal balance between growth investment, soundness, and shareholder returns, and drive forward the enhancement of corporate value from both financial and non-financial perspectives.

In my career I have been involved in investor relations (IR) work, through which I have come to realize the importance of growing together with the capital markets. To achieve such growth, I aim to deepen capital markets’ understanding of the Company by promoting information disclosure with an awareness of ensuring visible results, while further enhancing dialogue and reflecting the voices of the markets in management. I believe that this will lead to a reduction in the cost of capital and an increase in shareholder value.

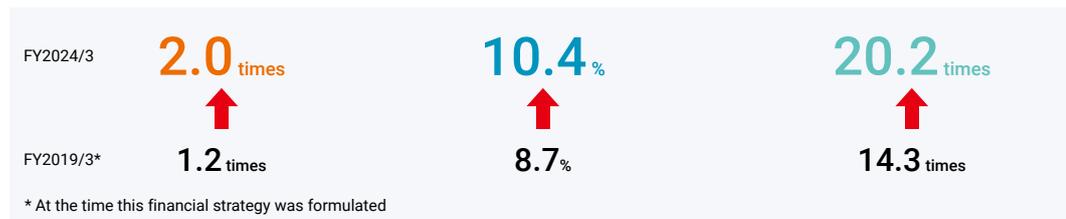
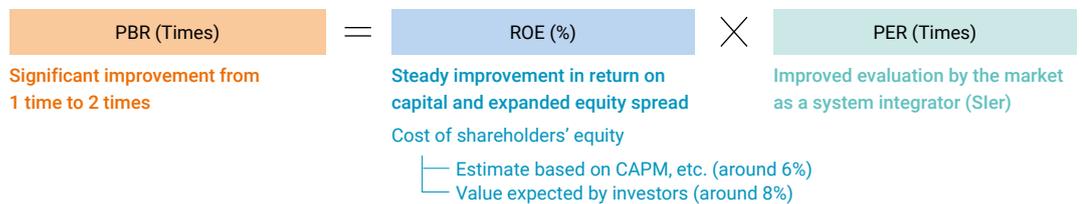


Current Shareholder Value

We estimate the Company's cost of shareholders' equity to be around 6% using the Capital Asset Pricing Model (CAPM) and other methods, but when making management decisions, we are mindful of the 8% level that investors expect. Our capital profitability has steadily improved, and current ROE stands at 10.4%, exceeding both of the above figures. The price-earnings ratio (PER) has also improved significantly due to factors such as heightened expectations for the DX × Beyond 5G we are working toward, profit growth and an accompanying increase in dividends, and the enhancement

of information disclosure. Although our industry sector classification in capital markets changed from "construction" to "information & communication," in 2011, I think that we are finally becoming widely recognized as a system integrator. As a result of improvements in ROE and PER, our price-to-book ratio (PBR) has improved significantly from around 1 to 2. Nevertheless, this level is still lower than that of other system integrators, and we believe that we have a long way to go in this regard. We aim to further improve our capital profitability and market valuation in the future.

Degree of improvement from FY2019/3



Improving Financial Value Based on ROE

To improve ROE, we will roll out measures in business divisions focused on profit margin on sales and the total asset turnover ratio, which are both components of ROE, and continue to implement a PDCA cycle. Profit and profit margin in particular have certainly risen compared with the past, but levels are still low compared to our competitors. There are also issues in terms of stability, as it fluctuates greatly depending on the number of large-scale projects and swings in demand. As set out in our medium-term management plan Shift up 2024, we will create solutions that leverage our strengths and deliver high customer value, while shifting to a spiral-type growth model (→P33), which we will achieve by building ongoing, recurring relationships with customers, so that both NESIC and society/customers can grow sustainably, thereby creating high profitability and profit stability.

In the fiscal year ended March 31, 2024, we achieved record-high gross profit and were able to improve our ROE. In the fiscal year ending March 31, 2025, the final year of Shift up 2024, we expect to fall short of our medium-term targets due to some initial delays in the plan's first year, but we are now back on our planned trajectory in terms of profit growth, so we anticipate further improvement in ROE.

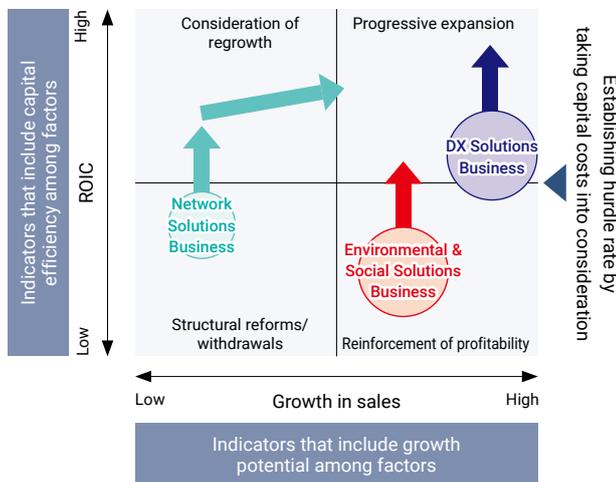
Going forward, we will pursue further synergies between the digital transformation expertise of the DX Solutions Business, the ability to develop highly reliable networks of the Network Solutions

Business, and the comprehensive engineering and social implementation capabilities of the Environmental & Social Solutions Business. While taking on challenges together with our customers, we will also aim to achieve a unique position by providing services ranging from consulting to system integration, implementation, maintenance, and operation/business process outsourcing through our spiral-type growth model, leveraging the unique characteristics of the Company, which is neither a system integrator nor a telecommunications construction company. These efforts will further enhance our potential for profit growth and boost profitability, and we hope to accelerate the improvement of ROE and further raise our PER.

At the same time, we are constantly carrying out project portfolio management with capital efficiency as an important theme of management. We have already set a hurdle rate based on factors such as capital costs, and we are screening the approximately 20 business divisions and consolidated subsidiaries that make up each segment from the perspective of return on invested capital (ROIC) and growth. By utilizing this framework, we will work to strengthen our operations through the abovementioned synergies, in addition to making improvements to individual businesses. Meanwhile, we will strive to achieve a more optimal business portfolio by implementing structural reforms in underperforming businesses and making decisions that include business integration/

separation and withdrawal, in order to promote business restructure. In the fiscal year ended March 31, 2024, the Network Solutions Business faced challenges in terms of growth and profitability due to a decline in high-profitability business for telecommunications carriers, but we were able to identify a path forward for structural reform. We are assuming the first improvements made will be to profitability, but moving forward, we will focus on the next stage of growth in areas such as social infrastructure projects in fields including aerospace and national security, and next-generation network domains such as open radio access networks (O-RAN) and local 5G, to strengthen our medium- to long-term growth potential.

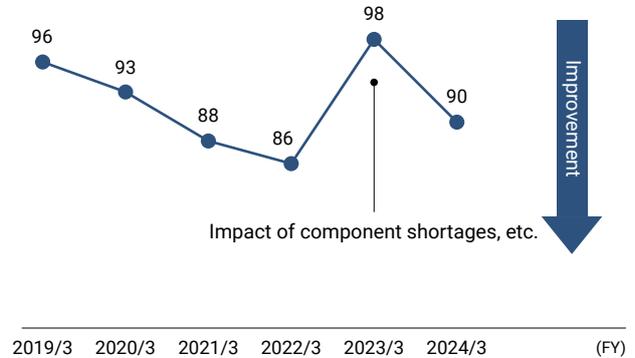
Portfolio Management



In terms of balance sheet efficiency, we recognize that our current total asset turnover ratio is about the same as that of our competitors, but we will continue to work on improving our cash conversion cycle (CCC) to further raise asset efficiency and improve cash flow creation capabilities.

The number of days taken to complete the CCC had been on a downward trend due in part to our improvement activities to date, but in the fiscal year ended March 31, 2023, that number saw a temporary sharp increase as a result of factors such as sales concentrated at the end of the fiscal year due to the impact of semiconductor and component shortages, and because we strategically increased inventory to secure delivery dates. Both accounts receivable turnover and inventory turnover improved in the fiscal year ended March 31, 2024, but have not returned to the level of 86 days seen in the fiscal year ended March 31, 2022, partly due to the impact of an increase in long-term and large-scale projects. We have been working to raise awareness of this issue among all employees through the use of educational comics and holding training for all sales employees, in addition to the development of systems such as for the revision of rules regarding receivable management and their incorporation into internal performance reviews. Considering these circumstances, we will work to further strengthen management of receivables and inventory assets, including by taking advance and interim payments, promoting just-in-time production, and reducing waiting times.

Changes in CCC
(Days)



Regarding capital allocation, we aim to secure cash on hand that is equivalent to approximately two months of net sales in order to prepare for sudden needs for funds going forward and meet our responsibility to consistently provide highly reliable services, including the development of social and public infrastructure, which entails having a sound financial foundation in place. In addition, while giving consideration to stable shareholder returns, I will promote growth and increase corporate value in my capacity as CFO by allocating financial capital to strategic investments, M&As, and other areas.

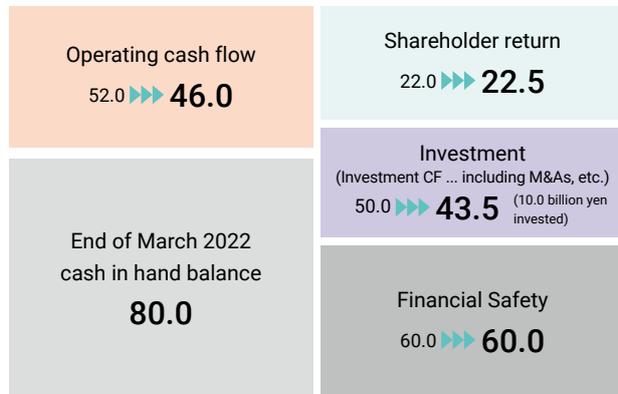
As for shareholder returns, we emphasize dividend on equity (DOE) as a dividend indicator rather than the dividend payout ratio, which is influenced by short-term business performance. In the process, we pay stable dividends on a continuous basis to shareholders who have continued to support us over the long term. Under Shift up 2024, we set the DOE level as 5.0% with consideration given to the projected levels of ROE and dividend payout ratio, but we decided to upwardly revise our target level to 5.3% from the fiscal year ending March 31, 2025, from the perspective of total shareholder return (TSR). For the fiscal year ended March 31, 2024, we paid a dividend of ¥49 in line with our DOE level of 5.0%, and with this in mind, we plan to significantly increase the dividend to ¥56 for the fiscal year ending March 31, 2025, making it the 18th consecutive year of dividend increases. As a result, the total dividend amount during the medium-term plan period is expected to exceed our initial target. Going forward, we will work to provide even higher levels of return to shareholders by continuing to strengthen our profitability. We will consider share buybacks based on a comprehensive review of investment in future growth and share price levels, cost of capital, increases in shareholder value, and other factors.

We have invested in companies related to DX, local 5G, and carbon neutrality as growth investments based on our growth strategy, and will continue to actively consider investments, including M&As, in the future. As a result of a decrease in the cumulative cash flow from operating activities compared to the initial plan due to delays in implementing our profit plan and an increase in the total dividend amount, the growth investment budget has decreased. Meanwhile, if the need to secure a large amount of funds were to arise, we will utilize debt to the extent that it does not impair our financial position upon ensuring security, while taking into consideration shareholder value.

Cash Allocation

Period of the medium-term management plan
(Cumulative total for FY23/3 to FY25/3)

(¥ billion)



Funds

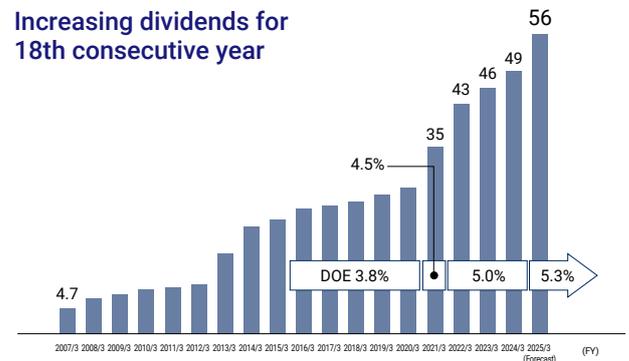
Use

Value assumed under medium-term management plan **▶▶▶** Value assumed now

Cash Dividends per Share

(¥)

Increasing dividends for 18th consecutive year



Notes: Figures prior to FY2020/3 have been adjusted to reflect the 3-for-1 stock split on June 1, 2020.
Forecast for FY2025/3 is as of April 26, 2024.

Enhancing Constructive Dialogue through Expansion of Non-Financial Capital

We believe that non-financial value / ESG will mitigate future risks for both society and NESIC, and contribute to increases in corporate value from the perspective of achieving business growth and reducing the cost of capital. Accordingly, we will actively commit to non-financial initiatives alongside financial initiatives. That said, I believe that simply disclosing non-financial information in response to requirements from society is not the essence of the matter, and we recognize the importance of showing the connection between financial and non-financial information and clearly explaining the path toward sustainable corporate value. Under Shift up 2024, we have been strengthening our ability to implement activities by setting non-financial indicators as management targets and incorporating them into executive compensation. We are focusing in particular on developing highly skilled personnel and improving employee engagement, viewing human capital as substantial value on the balance sheet that is a source of added value. As conventional employment practices and ways of thinking about careers undergo major changes, the issues we need to address are becoming increasingly varied, and we would like to take decisive action to address them.

In improving corporate value, I believe it is crucial to reflect the issues and insights we have identified and gained through dialogue with the capital markets in our management activities,

explain the results of these activities, and begin to repeat the cycle by engaging in further dialogue. Eliminating information asymmetry is also important as a prerequisite for constructive dialogue, and we have thus far worked to strengthen our IR activities to this end, including holding IR Days and expanding information disclosure. We will continue to improve our IR activities to promote a deeper understanding of our management practices and provide useful information for investment decisions. We also plan to strengthen on-site capabilities of those involved in business administration, which will form the basis of these activities. As a first step, in April 2024 we established the Financial Planning & Analysis (FP&A) Division, which directly links the CFO with divisions in charge of performance management in each business and supports decision-making with data. Through these efforts, we will promote data-driven management and improve our analytical capabilities and forecasting accuracy, while developing human resources to support high-quality decision making withing the Company. A former boss of mine once said that if a company improves its disclosures, it will receive better advice from investors. I intend to enhance corporate value by taking the lead in engaging in dialogue with shareholders and investors and incorporating their opinions into management.

Outside Evaluations / Selection of Indices



JPX-Nikkei 400



FTSE4Good Index Series



FTSE Blossom Japan Index

2024 CONSTITUENT MSCI Nihonkabu ESG Select Leaders Index

MSCI Japan ESG Select Leaders Index*

2024 CONSTITUENT MSCI JAPAN Empowering Women Index (WIN)

MSCI Japan Empowering Women (WIN) Select Index*

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Environment

Since establishing its Environmental Policy in 1996, NESIC has been engaged in ongoing efforts to reduce the environmental impact of not only its own business activities but that of society at large by resolving customer issues through the provision of environmentally friendly solutions and services. Amid the growing severity of climate change, we regard this and other environmental issues as critical for promoting sustainability management and realizing our vision of an inclusive and sustainable society created through communications. As such, in our medium-term management plan Shift up 2024 we declared that we would transform all of our businesses to ensure that they are able to address climate change.

Going forward, we will take further steps to contribute to becoming carbon neutral and realizing a sustainable society.

Environmental Policy

The NESIC Group contributes to the realization of an inclusive and sustainable society through communications by working to reduce its environmental impact and the impact of climate change through all of its business activities.

1. In providing ICT solutions and services, we recognize that each stage of the life cycle has environmental impact, and will endeavor to reduce environmental impact by conserving resources, saving energy, and preventing environmental pollution from waste.
2. We will comply with laws, regulations, and agreements related to the environment, as well as agreements with stakeholders, and manage activities, solutions, and services with the potential to impact the environment.
3. We will disclose our environmental initiatives to a wide range of stakeholders.
4. We will contribute to protect the environment by raising awareness of the environment among all employees and taking steps to mitigate climate change and preserve biodiversity.
5. We will strive to continuously improve our environmental management system and enhance our environmental performance by setting targets and implementing activities to reduce our environmental impact.

Company-wide Promotion and Governance Structure

Regarding issues critical to management strategy, the Sustainability Management Committee, which is a subcommittee under the Management Quality Improvement Committee and is chaired by the president and chief operating officer, examines strategies and measures and exchanges information pertaining to sustainability and ESG strategies, including climate change countermeasures, as well as risks and opportunities with the potential of significantly impacting our business. Sustainability Management Committee meetings are also attended by outside experts, including one outside director, who serve as advisors with a deep connection to sustainability. The results of deliberations are reported to the Board of Directors. In this way, a system is in place for the Board of Directors to oversee NESIC's climate change measures to ensure that they are properly promoted.

The Central Environmental Management Committee, which handles themes within the Sustainability Management Committee, is chaired by the executive officer in charge of the environment. For matters deemed to have the potential to significantly impact medium- to long-term goals, such as vision, medium-term strategies, and major investments, a governance process has been established in which the Sustainability Management Committee discusses such matters and reports to the Board of Directors.

Furthermore, we are formulating targets for reducing CO₂ emissions and promoting action through our business activities to achieve NEC Environmental Targets 2030 (NEC Group targets for environmental management), based on the Course of Action for Climate Change Toward 2050 as a member of the NEC Group.

In April 2022, NESIC established the Carbon Neutral Promotion Division, directly controlled by the president, to

further strengthen and promote carbon neutral strategies and management. The Carbon Neutral Promotion Division is responsible for developing the company-wide framework for formulating carbon neutrality strategies, and establishing policies, milestones, and targets. It also collaborates with relevant divisions to sharpen the Company's competitive edge, explore new business opportunities, co-create with customers and partners, and develop a green transformation (GX) strategy to achieve carbon neutrality.

Company-wide Promotion and Governance Structure for Climate Change



Addressing Climate Change Initiatives for Becoming Carbon Neutral

Additionally, we will contribute to realizing a carbon neutral, sustainable society through ICT by participating in the GX League, a framework for driving green transformation (GX) led by the Ministry of Economy, Trade and Industry of Japan, and the Carbon to X (C2X) open innovation business platform while promoting the creation of climate change-responsive businesses.

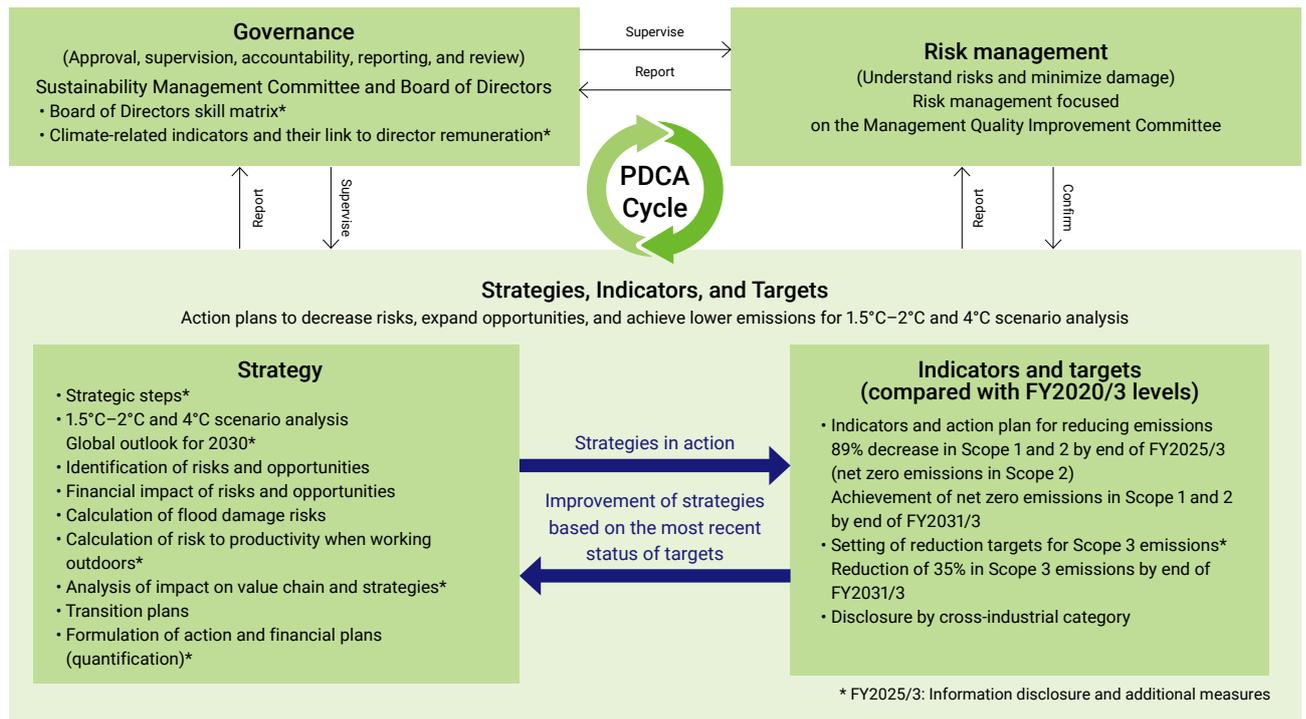
Disclosures Based on TCFD Recommendations

Given the pressing need to establish sustainability management that includes measures to reduce greenhouse gas emissions and address the impacts climate change, such as global warming, NESIC recognizes the importance of climate-related financial information disclosure. Accordingly, the Company endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in December 2021, and has since been disclosing information based on TCFD recommendations. We are working to disclose information in

accordance with the IFRS S2 Climate-related Disclosures (IFRS S2) published in June 2023, and are engaged in activities to control risks related to climate change and create and seize opportunities.

Furthermore, as part of the NEC Group, we committed to formulating Science Based Targets (SBT) in December 2017, obtained SBT certification in 2018, and are promoting initiatives aimed at carbon neutrality with 1.5°C certification from the SBT initiative for its current targets.

Outline of TCFD at NESIC



Strategy

Based on the 1.5°C–2°C and 4°C scenarios for climate change and taking into account IFRS S2, NESIC provides disclosures on the following matters.

NESIC's Strategic Steps for Addressing Climate Change	
(a) Scenario analysis: 1.5°C–2°C and 4°C scenarios, global outlook for 2030, and determination of timeline in which risks and opportunities are expected to materialize	↓
(b) Analysis results of risks and opportunities based on relevant scenarios and the impact of risks and opportunities on the value chain	
(c) Summary of resource allocation, mitigation and adaptation efforts, and transition plans for risks and opportunities	
(d) Identification of short-term, medium-term, and long-term risks and opportunities, and details of financial impact	
(e) Details of transition plans for climate change	

Scenario Analysis

The Company recognizes that assessing the potential business impacts of risks and opportunities associated with climate change is and developing response measures is essential to achieving our vision of realizing an inclusive and sustainable society created through communication, as well as ensuring the sustainability of our operations.

To understand the impact of climate change on our business and identify climate-related risks and opportunities, we implemented the following analysis for various scenarios, referred to NEC Group assumptions regarding decarbonization scenarios in Japan while considering the global outlook for 2030, compared them with business environment assumptions in NESIC's long-term strategies, and analyzed the differences.

Scenarios referenced	1.5°C–2°C scenario	4°C scenario
Transition scenarios	Transition scenarios according to the International Energy Agency (IEA) Announced Pledges Scenario (APS) Net Zero Emissions by 2050 Scenario (NZE)	Transition scenarios according to the International Energy Agency (IEA) Stated Policies Scenario (STEPS)
Physical scenarios	Scenarios that predict climate change according to the IPCC*1 RCP*2 1.9 and RCP2.6 SSP1-1.9 and SSP1-2.6	Scenarios that predict climate change according to the IPCC RCP8.5 SSP5-8.5

Source: IPCC AR5 / 6, IEA World Energy Outlook 2021 / 2022

*1 IPCC: Intergovernmental Panel on Climate Change *2 RCP: Representative Concentration Pathways

Time Frame in Which Risks and Opportunities Are Expected to Materialize

As the risks and opportunities associated with climate change have the potential to affect our business activities over a long period from the fiscal year in which they arise, we believe it is important to consider milestones in the short, medium, and long term, when we expect the risks and opportunities to materialize. We identify and respond to risks and

opportunities by examining transition risks such as the introduction of government policies and laws and changes in market needs, physical risks such as abnormal weather caused by climate change, and increased opportunities in each business unit, and then reflect these risks and opportunities in our strategies.

Timeline of the Company's Climate Change Risks and Opportunities

Analysis	Period	Definition
Short-term	Fiscal year in question	One year based on the fiscal year in question FY2024/3
Medium-term	Three years or less from fiscal year in question	Business activities based on a medium-term time frame (3 years) FY2024/3–FY2026/3
Long-term	More than three years from fiscal year in question	Business activities based on a long-term time frame (more than 3 years) FY2024/3–FY2031/3

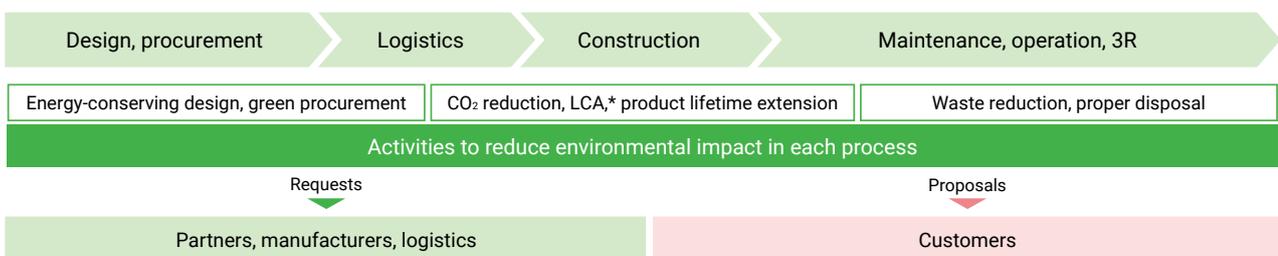
Impact of Risks and Opportunities on Our Value Chain

We believe that the risks and opportunities associated with climate change have the potential to significantly impact our value chain in the following ways.

► Definition and Composition of NESIC's Value Chain

For the entire value chain, from procurement of raw materials to manufacturing, distribution, sales, maintenance, and the provision of solutions and services, we are reassessing each activity in terms of how it contributes to the creation of added value, and what the Company's strengths and weaknesses are in relation to its competitors, in order to clarify the risks and opportunities associated with climate change for each element of the value chain, and to use this information to revise our business strategy.

Reduce Environmental Load across Supply Chain



* LCA: Life cycle assessment

Risks that have the potential to significantly impact the value chain for each business and expected outcomes

Category	<ul style="list-style-type: none"> • Purchasing activities: Procurement of products, parts, and materials (transition risk, physical risk) • Services: Installation support, after-sales services such as, maintenance and operation services, and handling of complaints (transition risk, physical risk)
Physical scenarios	<ul style="list-style-type: none"> • Impacts on society due to operational failures or shutdowns of important infrastructure equipment and systems • Impact on public life and business activities due to operational failures or shutdowns of customers' important equipment and systems



Please refer to the website below for details on calculating the financial impact of risks and opportunities.
<https://www.nesic.co.jp/english/sustainability/environment/teigen.html>

Main Climate Change-Related Risks and Opportunities

► Overview of Main Risks and Opportunities

NESIC has compiled main climate change risks and opportunities in the operation of its three business segments based on multiple scenario analyses, collected future forecasting data for each risk and opportunity, and calculated the financial impact of risks and opportunities based on the definition of the time frames in which important risks and opportunities are expected to materialize.

Please see the next page (→P50, 51) for the action and financial plans referenced in the table below.

Financial impact: No impact expected →

Expected to have a negative impact ↘

Time frames: Short-term: FY2024/3 Medium-term: FY2024/3–2026/3 Long-term: FY2024/3–2031/3

Main Climate Change-Related Risks

Category	Main risks	Main initiatives	Timeline / Impact	1.5°C–2°C scenario			4°C scenario		
				Short-term (FY2024/3)	Medium-term (FY2026/3)	Long-term (FY2031/3)	Short-term (FY2024/3)	Medium-term (FY2026/3)	Long-term (FY2031/3)
Transition risk (1.5°C–2°C scenario)	Government policies and laws*1	<ul style="list-style-type: none"> Reducing power consumption through office and workstyle innovation, procuring energy through in-house PPA*1 (transition plan and action plan 1–4) 	Short-to long-term / Medium	→	→	→	–	–	–
	Markets and reputation*2	<ul style="list-style-type: none"> Encouraging suppliers Implementing sustainability activities throughout the supply chain to secure components and materials 	Short-to long-term / Medium	↘	↘	↘	–	–	–
Physical risks*3	<ul style="list-style-type: none"> Losses from suspension of operations, loss of credibility due to delayed or inadequate equipment restoration, and litigation risk in the event of a large-scale emergency or natural disaster Increased man-hours and costs in line with the frequent occurrence of disasters and system failures 	<ul style="list-style-type: none"> Predicting disasters using big data, visualizing disasters through image analysis Enhancing disaster response capabilities through use of renewable energy (e.g., ensuring the safety of evacuation centers) 	Short-to long-term / Medium	Approx. ¥90 million – ¥180 million ↘	Approx. ¥260 million – ¥530 million ↘	Approx. ¥680 million – ¥1,370 million ↘	Approx. ¥530 million ↘	Approx. ¥1,580 million ↘	Approx. ¥4,100 million ↘
	<ul style="list-style-type: none"> Heat strokes during outdoor work, increased health risks for employees due to high temperatures, and decreased outdoor work productivity*2 	<ul style="list-style-type: none"> Utilizing robots for remote operations Managing workers' physical condition using wearable devices 	Short-to long-term / Medium	↘	Approx. ¥2,340 million – ¥2,640 million ↘	Approx. ¥2,640 million – ¥3,220 million ↘	↘	Approx. ¥2,340 million ↘	Approx. ¥3,220 million ↘

Main Climate Change-Related Opportunities

Financial Impact: Positive impact predicted ↗ No impact expected →

Category	Main opportunities	Action plan	Timeline / Impact	1.5°C–2°C scenario			4°C scenario		
				Short-term (FY2024/3)	Medium-term (FY2026/3)	Long-term (FY2031/3)	Short-term (FY2024/3)	Medium-term (FY2026/3)	Long-term (FY2031/3)
DX Solutions Business	<ul style="list-style-type: none"> Expansion of business opportunities for solution services that include workstyle and business process innovations based on ICT technologies Expansion of opportunities related to the need for AI/IoT and digital technology 	Transition plans / action plan 2	Short-to long-term / High	↗	↗	↗	↗	↗	↗
<p>Status of initiatives focused on the DX Solutions Business, including action plans for addressing climate change</p> <ul style="list-style-type: none"> Workstyle DX (action plan 2 / climate change mitigation) ⇒ Proposal of optimal workstyles and indirect reduction of energy use by implementing hybrid work (FY2024/3: +¥1.7 billion)*4 Digital twins (action plan 2 / climate change mitigation) ⇒ Enhancement of useful predictions through real-life and virtual analysis and optimization energy efficiency in operations (FY2024/3: -)*4 									
Network Solutions Business	<ul style="list-style-type: none"> Opportunities are expanding for energy saving and enhance resilience in network infrastructure Burgeoning demand related to the strengthening, operation and management of critical social infrastructure Expanding business domain and market access through collaboration and co-creation with other companies Marine business: Business opportunities expanding in line with increased demand for offshore wind power generation Aerospace business: Business opportunities are expanding in areas such as satellite imagery analysis 	Transition plans / action plans 4, 5, and 8	Short-to long-term / High	→	↗	↗	→	↗	↗
<p>Status of initiatives focused on the Network Solutions Business, including action plans for addressing climate change</p> <ul style="list-style-type: none"> Next-generation network services (action plan 2 / climate change mitigation) ⇒ Rollout of local 5G/MVNO in target markets / Assessment of power-efficient products (FY2024/3: +¥1.8 billion)*4 Marine business (action plan 2 / climate change mitigation and adaptation to climate change) ⇒ Development of communication systems for offshore wind power and operation and maintenance (O&M) solutions for ocean observation (FY2024/3: +¥700 million) 									
Environmental & Social Solutions Business	<ul style="list-style-type: none"> Expanding business opportunities associated with the promotion of smart cities based on regional development demand and the Digital Garden City Nation concept Expanding business opportunities for disaster prevention and mitigation Expanding business opportunities for diversifying energy needs, such as renewable energy and regional new electric power providers 	Transition plans / action plans 1, 3, 6, 7, and 9	Short-to long-term / High	↗	↗	↗	↗	↗	↗
<p>Status of initiatives focused on the Environmental & Social Solutions Business, including action plans for addressing climate change</p> <ul style="list-style-type: none"> Green energy business (action plan 1 / climate change mitigation) ⇒ Site control and smartification through renewable energy and energy management systems (FY2024/3: +¥400 million)*4 Energy saving at infrastructure facilities (action plan 8 / climate change mitigation) ⇒ Building Operating System development / Utilization of digital twins and development of energy-saving solutions (FY2024/3: +¥1.4 billion)*4 									

*1 PPA: Power purchase agreement

*2 Calculated based on a simulation of the decline in labor productivity using the Climate Impact Explorer

*3 The financial impact of climate change-related risks and opportunities is calculated for NEC Networks & System Integration Corporation on a non-consolidated basis.

*4 Difference compared to results for FY2023/3

Transition Plans

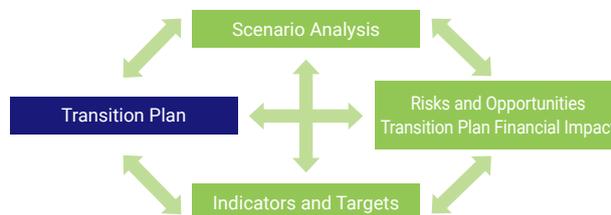
Approach to Transition Plans

NESIC's views transition plans as being interrelated with the scenario analyses, risks and opportunities, financial impact, and disclosure of indicators and targets set forth by the TCFD and IFRS S2.

As such, we are reviewing and revising risks and opportunities and their financial impact, as well as the indicators and targets for transition plans on this basis, through continuous improvement of scenario analysis.

Transition plans will be used as a milestone for implementing TCFD and IFRS S2 strategy targets and will be utilized in our overall business strategies to continue enhancing corporate value.

Connectivity between Transition Plans and Other TCFD Items



Transition Plans

FY2024/3	FY2025/3	FY2026/3
Formulation of transition plans (action plan / financial plan)	Setting of quantitative KPIs for action plan (sales targets and growth investment)	Introduction of internal carbon pricing (planned)

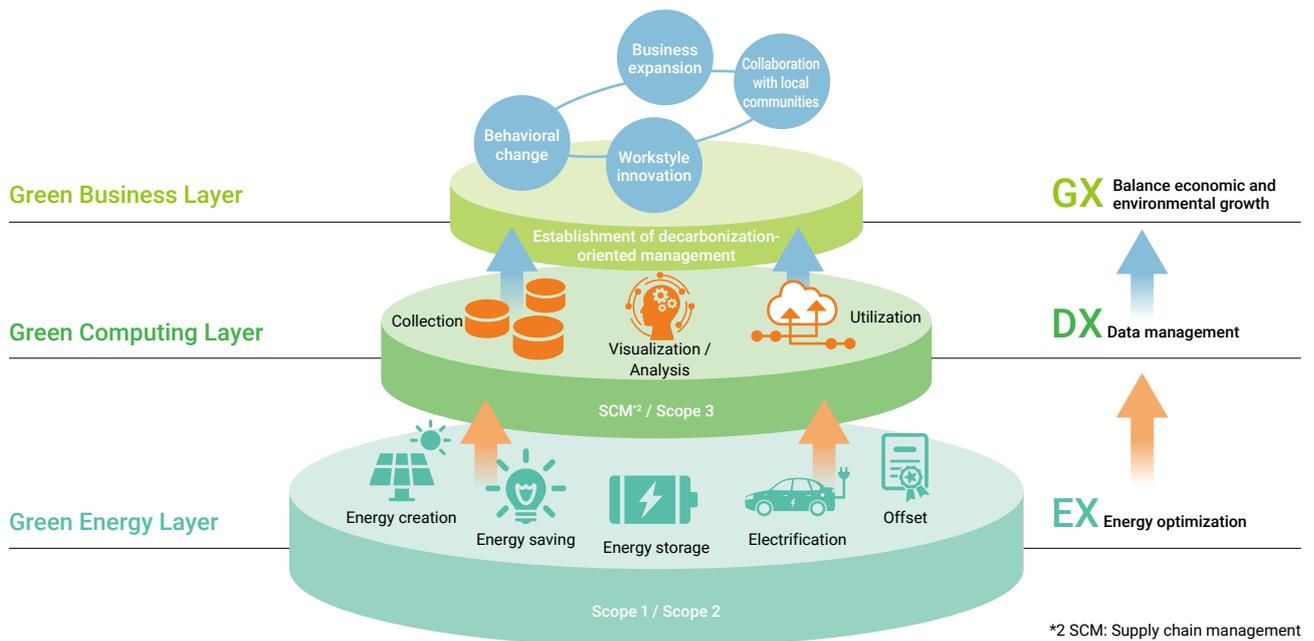
To address the issue of climate change, we are steadily taking steps to formulate strategies, reduce greenhouse gas (GHG) emissions, and aid in the shift to a low-carbon economy, based on the transition plan categories below. The financial plans, budgets, and related investment plan targets and scenario analyses that support the transition plans are as follows.

Category	Details
1. Alignment of strategies	<p>The Company is implementing the following activities to eliminate Scope 1 and 2 greenhouse gas emissions and achieve a 35% reduction in Scope 3 emissions by FY2031/3 (compared with FY2020/3 levels)</p> <p>(1) Scope 1 and 2</p> <ul style="list-style-type: none"> Switch to renewable energy / Introduce non-fossil certificates (ongoing) Self-consumption type renewable energy / Introduction and switch to in-house PPA <p>(2) Scope 3</p> <ul style="list-style-type: none"> Automate calculations through linkage with core internal systems Implement reduction measures for categories 1, 4, 9, 11, and 12, from procurement to disposal in collaboration with supply chain Introduce internal carbon pricing (target for FY2026/3 and beyond) <p>(3) Disclosure based on indicators and targets set by cross-industrial categories</p>
2. Premise of plans	<ul style="list-style-type: none"> Identification of risks and opportunities in 1.5°C–2°C and 4°C scenarios Action plan aimed at reducing risk and expanding opportunities based on the results of the financial-impact analysis Implementation of financial plans, budgets, and related investment plans to support transition plans
3. High-priority opportunities	<p>As a result of our scenario analysis of climate-related opportunities, the Company is implementing initiatives and planning for business shifts and business maximization in response to the opportunities set forth in the action plan.</p>
4. Action plan	<p>Markets</p> <ol style="list-style-type: none"> Expand businesses such as clean energy services for renewable energy market through on-site and off-site PPA Expand DX decarbonization projects through local 5G, IoT services, and business process transformation that utilize high-functioning, low-energy consumption semiconductors to visualize greenhouse gas emissions Expand environmental management-style services by integrating facilities with energy, such as next-generation data centers that utilize liquid immersion cooling technologies Expand business opportunities in line with increased demand for offshore wind power generation in response to needs for renewable energy
	<p>Resilience</p> <ol style="list-style-type: none"> Expand disaster countermeasures business in response to increasing severity of natural disasters Expand business opportunities to promote sustainable and resilient recycling-based community development through ICT and DX solutions Promote smart disaster prevention and mitigation businesses from design and construction to maintenance and operational support Expand demand and opportunities for energy saving and enhanced resilience infrastructure facilities Expand opportunities for business associated with promotion of sustainable and resilient smart cities in response to the Digital Garden City Nation concept

Category	Items and details		Action plan 1-4	FY2024/3 (result)	FY2025/3 (planned)	FY2026/3
5. Financial plan	Growth investment	(1) Self-implementation and growth investments in in-house permeation by the Carbon Neutral Promotion Division	①・②	¥150 million	¥180 million	↗
		(2) Growth investments in business opportunities including climate change for each business division	①~⑨	-	↗	↗
	Capital investment	(3) Capital investment to achieve greenhouse gas emission reduction targets, BCP measures, and peak shaving/load shifting through early launch of PPA projects and use of next-generation storage battery systems	①・③・④	-	↗	↗
		(4) Capital investment to promote the introduction of the shift to EVs and hybrid vehicles for NESIC-owned vehicles (including charging equipment and other ancillary facilities)	⑥・⑨	¥2 million*1 34 hybrid vehicles introduced	¥1 million*1 16 hybrid vehicles introduced	→
Details						
6. Scenario analysis	We have determined multiple outcomes for both the 1.5°C-2°C scenario and the 4°C scenario, and are examining the feasibility of achieving our targets for the following periods based on the results of our analysis of risks and opportunities. Specific details are provided in Scenario Analysis (→P48).					

*1 Amounts reflect an increase in expenses for annual leases associated with the introduction of hybrid vehicles

Carbon Neutral Business that Support Sustainability Management



Risk Management

In addition to natural disaster risks such as heavy rain and flooding, the scope of threats that companies must consider is expanding, such as the Russia-Ukraine conflict.

NESIC stays informed of diversifying risks in a rapidly changing business environment and manages risks from the perspectives of both minimizing damage and ensuring business continuity.

Critical risks, including those posed by climate change, are identified and managed through a risk management system

led by the Management Quality Improvement Committee. Additionally, the Sustainability Management Committee, which discusses management strategies and policies for measures based on those strategies, implements measures through deliberations, and in accordance with the Corporate Governance Code, reports to the Board of Directors while providing ongoing disclosure to stakeholders outside NESIC.

Indicators and Targets

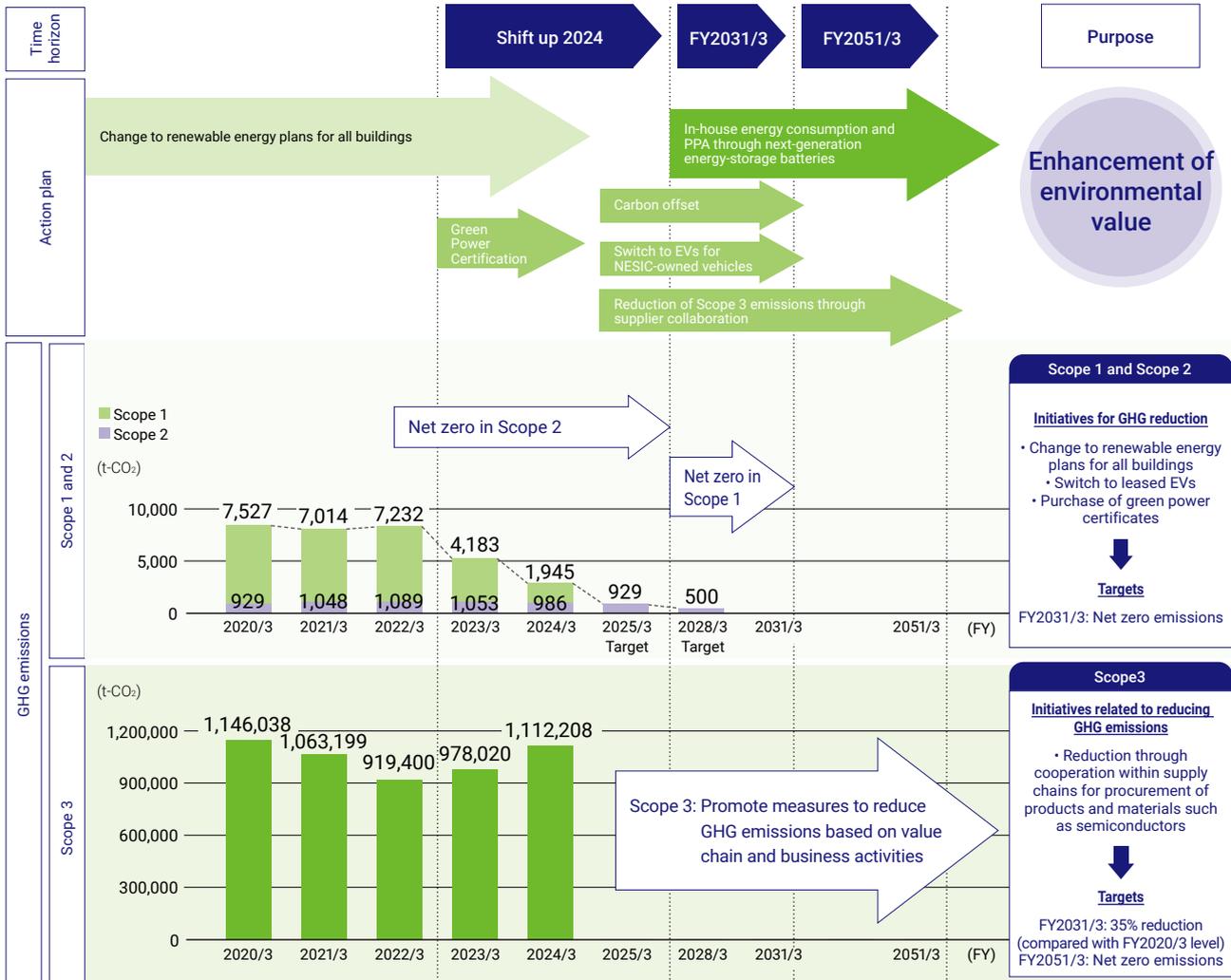
As a member of the NEC Group, we set major KPI targets for reducing greenhouse gas emissions in the fiscal year ended March 31, 2023 in line with NEC Environmental Targets 2030 (NEC Group targets for environmental management). However, we have brought forward our targets for reducing Scope 1 and 2 CO₂ emissions to accelerate our contribution to responding to climate change, which is our corporate responsibility.

For Scope 3, we refined data on CO₂ emissions by engaging with the supply chain and in the fiscal year ended March 31, 2024 set targets for reducing emissions in line with the levels outlined by the Science Based Targets initiative. The Company plans to disclose revised emission reduction targets for 2030 and 2050 in the fiscal year ending March 31, 2028, with a view to achieving its target of achieving net zero GHG emissions by 2050.

Major KPI Targets and Status of Achievement

	Reduction targets (compared with FY2020/3) and results		Notes
Scope 1 and 2	FY2024/3	▲ 57% → ▲ 66% (reduction results)	
	FY2025/3	▲ 89%	Net zero emissions in Scope 2
	FY2031/3	▲ 100%	Net zero emissions in Scope 1 and 2
Scope 3	FY2031/3	▲ 35%	Net zero emissions by FY2051/3

Greenhouse Gas Emissions and Our Actions for and Purpose of Their Reduction



Resource Recycling Initiatives

As a member of the NEC Group, NESIC promotes the collection and recycling of information processing devices and telecommunications equipment (such as NEC-made laptops, computers, and telecommunications equipment) no longer needed by corporate customers.

The issues of marine plastic waste, climate change, and the tightening of waste import regulations in other countries have made the promotion of plastic recycling in Japan ever-more critical. In light of this, we are making efforts to reduce the amount of industrial waste from products that use plastic and to promote recycling.

FY2025/3 target: Reduction of **1.3%**
in waste plastic emission
(compared with FY2024/3 level)

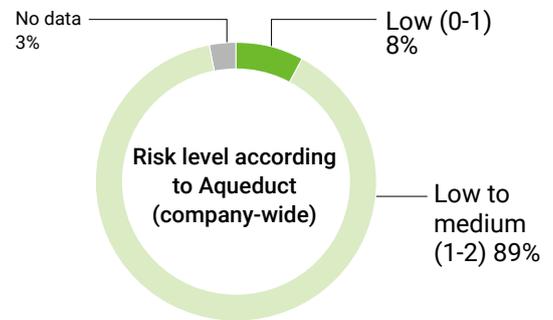
Waste plastic emissions in FY2024/3
248 tons

Monitoring and Preserving Water Resources

NESIC does not consume large amounts of water in its business activities. However, we promote appropriate water use from the perspective that we need water for daily essentials to keep our operations up and running.

In addition, as part of our efforts to address water risks, we have conducted a water risk assessment using the Aqueduct* tool of the World Resources Institute (WRI) to confirm the overall water risk level of our head office and branch offices. We also administer self-assessment questionnaires (SAQs), which include questions on water risk, to our major suppliers to monitor and evaluate water risks.

* Aqueduct: A global water risk evaluation tool developed by the WRI



Biodiversity Initiatives

As part of efforts to protect biodiversity, NESIC is engaged in a project that creates rice fields by reclaiming formerly fallow rice fields. Under the guidance of local experts, we are involved in activities throughout the year in rice fields in Higashi Tanaka, Ishioka City, Ibaraki Prefecture, from rice planting to sake brewing.

As well as conserving the environment through traditional farming methods, we are working to restore our ecosystem service function and preserve the ecosystems of rice fields and their surrounding areas.

We have introduced a green remote-observation system through which we can monitor the growth of the rice plants.



External Recognition for Our Environmental Efforts

NESIC received an “A-” rating from the CDP, an international environmental NGO, in the organization’s Climate Change 2023 program.

Of the companies that responded to the CDP Climate Change 2023 questionnaire, NESIC received the highest rating of “A” in the Supplier Engagement Rating (SER), which recognizes companies’ climate change-related activities in supply chains and particularly outstanding efforts, and was also selected for the Supplier Engagement Assessment Leaderboard.



Social

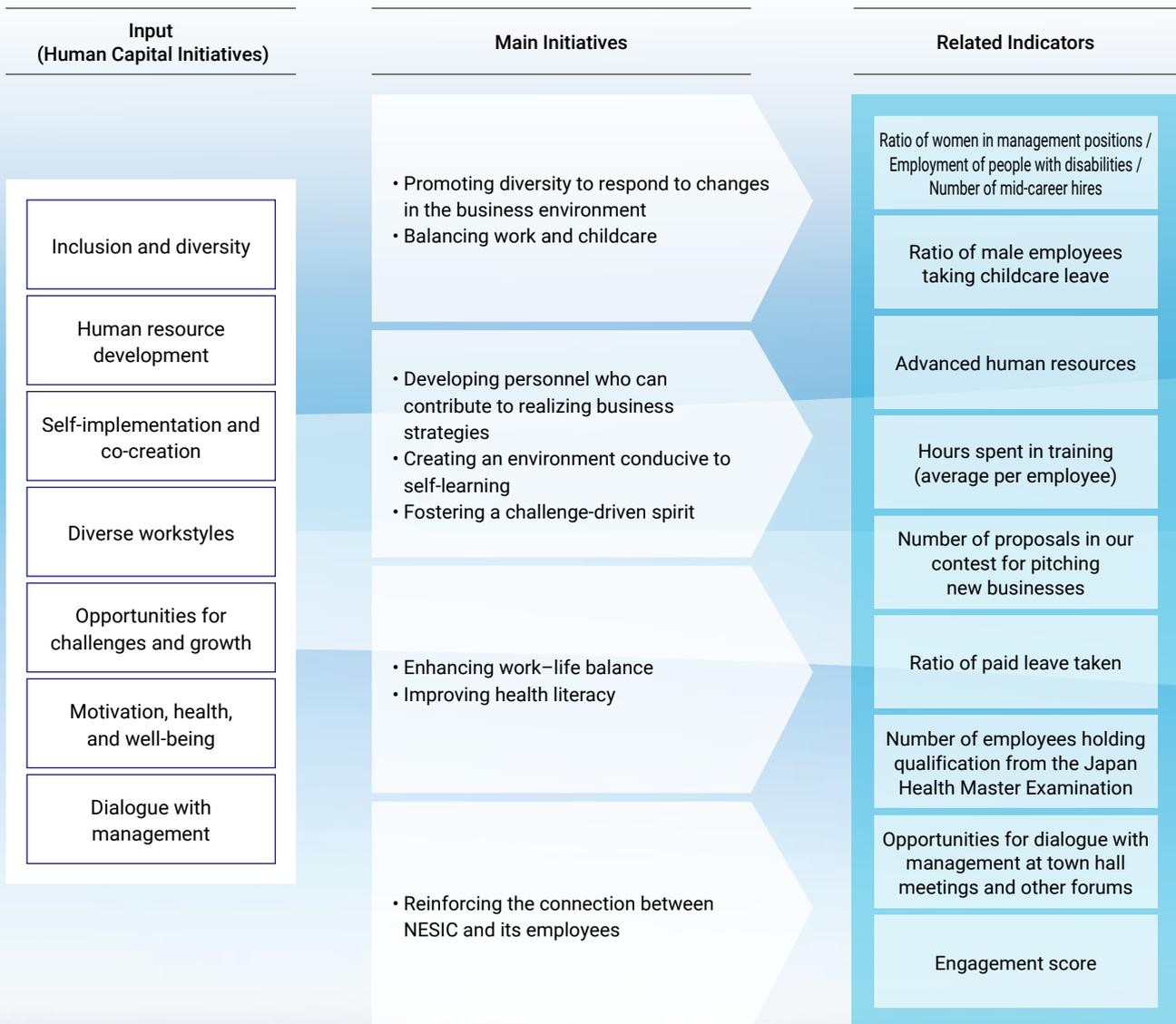
Human Capital Initiatives

Basic Approach to Human Resource Strategies

NESIC has adopted the target of realizing an inclusive and sustainable society created through communications and aims to sustainably grow and develop together with society and our customers. The source of this value creation is our human resources.

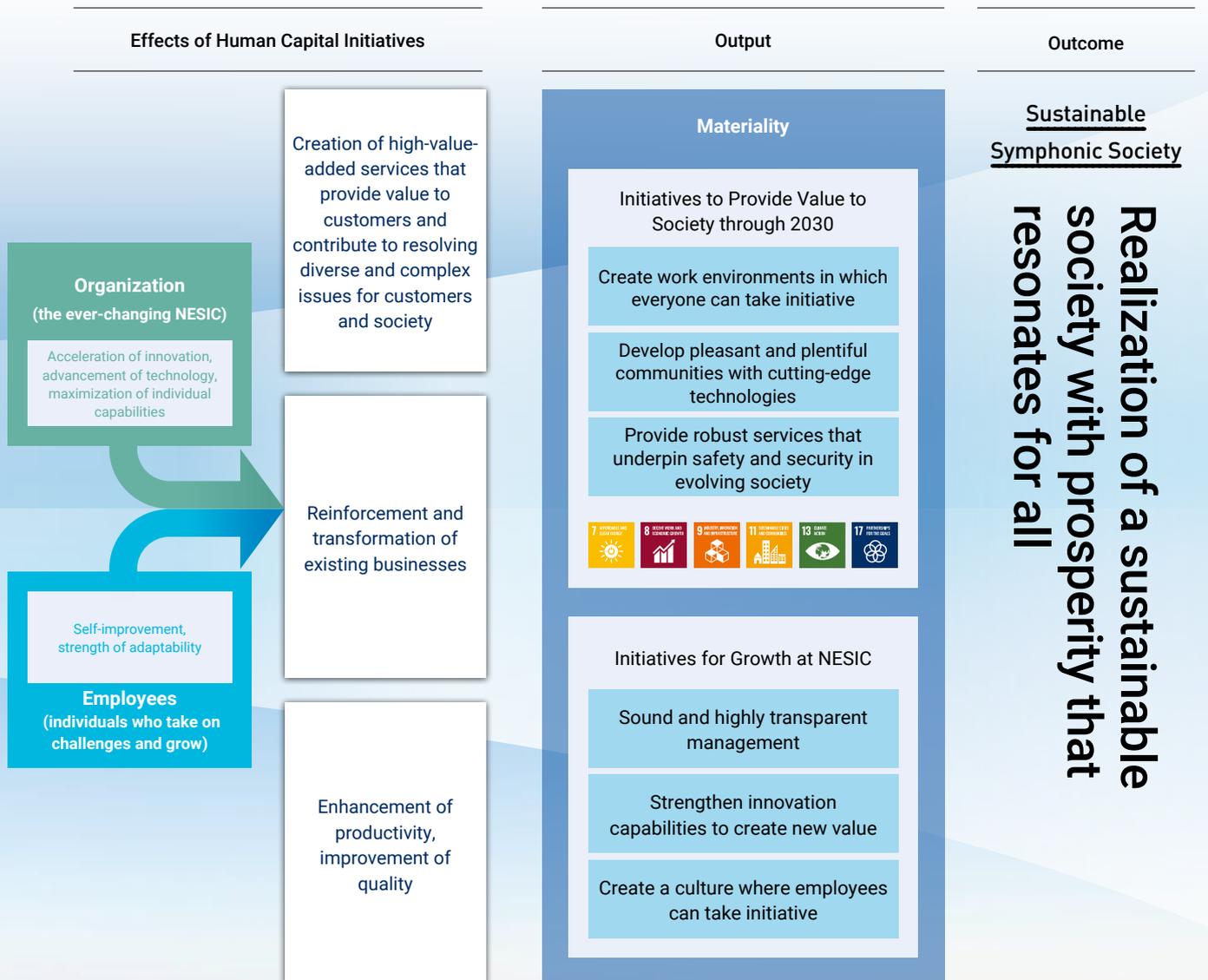
Our social mission is to continue creating and providing higher value-added solutions and services for society and customers in a business environment with sudden changes and advancements in technology and needs. Accordingly, we are advancing human resource strategy initiatives based on the approach that individual employees taking on challenges, growing, and demonstrating their full potential regarding these changes is vital for the sustainable growth of NESIC.

Link Between Human Capital Initiatives and Management Strategies



In addition to the acquisition and development of diverse human resources with advanced expertise, we are creating an environment and fostering a corporate culture that accelerates co-creation and innovation and generates new value. At the same time, we are engaging in creating a system that enables each employee to continue working in a healthy manner and with peace of mind and provide opportunities and support to autonomously learn and take on challenges with a sense of job satisfaction.

Combining these organizational and individual measures will accelerate human resource strategy initiatives that support both the resolution of social issues and business growth.



Human Capital Initiatives

Initiatives for Strengthening Human Capital Management

In order to strengthen the connection between our business and human resource strategies, the Corporate Strategy Planning Division, the Human Resources Division, and officers in charge of their respective divisions gathered to hold a study session on human capital management. In addition, Yuzuru Tanaka, CEO of Unipos Inc., provided expert support for the event, which included a lecture and interactive workshop. The workshop provided valuable opportunity to broaden horizons and learn and think about a range of issues, with the Corporate Strategy Planning Division and Human Resources Division engaging in dialogue on matters ranging from fundamental insights such as the need to take action on human capital management and case studies of other companies to current issues facing the Company and the process of thinking about how to tackle them.

We are also gradually building up a data-driven framework by introducing the human capital data infrastructure Panalyt and visualizing data using the search and AI-powered analytics platform ThoughtSpot.



NESIC was recognized for Human Capital Management Quality (Silver) in the Human Capital Survey 2023 planned and conducted by HR Research Institute (ProFuture Inc.) and MS&AD InterRisk Research & Consulting, Inc.



Initiatives for Maximizing Diverse Individual Strengths

Inclusion and Diversity

Maintaining and Promoting Diversity

Amid a rapidly changing business environment, we are strengthening our inclusion and diversity initiatives based on the idea that enabling employees with diverse personalities to fully demonstrate their capabilities is essential for creating innovation that leads to sustainable growth, and that it also leads to increased employee vitality and engagement. In April 2020, we established the Inclusion & Diversity Promotion Committee, which operates on a company-wide basis, and we are working to provide a corporate culture and career development opportunities that enable employees with diverse attributes including women, employees with foreign nationalities, older employees, and employees with disabilities to fully demonstrate their individuality and creativity. In particular, we are working to promote the active participation of women as a key management issue. We promote gender equity by holding events to discuss issues and measures related to women's careers and by establishing working groups as subordinate organizations to the committee.

Key activities to date for promoting the active participation of women

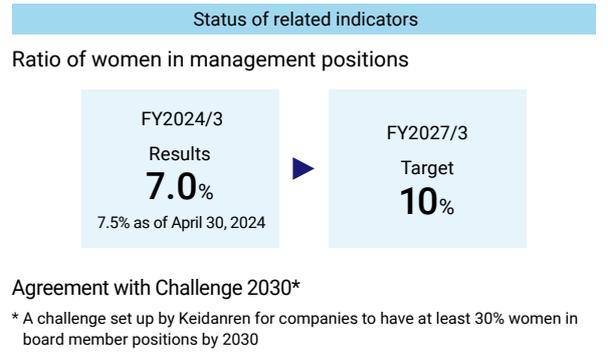
- Mentor system to encourage the next generation of women
- Roundtable discussions with directors and executive officers
- Seminars related to women's careers
- Training sessions for women to raise awareness of career options
- Setting of target ratio for female hires in recruitment activities

In addition to and through the attributes above, we are also working to ensure diversity in expertise, experience, sensibilities, and values, while enhancing our workforce's ability to make immediate contributions through mid-career recruitment. By actively hiring specialized personnel and organizational managers, we are working to strengthen our organizational and business

capabilities, and are also making company-wide efforts to promote diversity in our workforce, such as by focusing on initiatives that make use of diverse perspectives.



Highest-grade "Eruboshi" certification



Balancing Work and Childcare

As an initiative for enabling each employee to fully demonstrate their abilities, we are promoting measures and enhancing our support system for employees of any gender with children to maintain a balance between work and childcare. We acquired the "Platinum Kurumin" certification mark as a special accredited company under the Act on Advancement of Measures to Support Raising Next-Generation Children as recognition of the high standards of our efforts, including the creation of work systems enabling employees to approach work in a variety of ways, and creation of an environment in which employees can easily utilize childcare leave and return to work.



"Platinum Kurumin" certification mark

Topic 1

Fostering a Culture of Free and Open Exchange of Ideas

In addition to diverse human resources, we have been working with management to promote workshops and training related to psychological safety for employees, regardless of position or experience, to exchange opinions frankly and comfortably and understand the importance of constructive conflict of opinions to achieve goals and change their behavior. Following company-wide promotion of this initiative, we are now holding workshops on the theme of constructive communication. In the fiscal year ended March 31, 2024, we held workshops for section managers that incorporated game-like elements as an approach to addressing the topic of psychological safety, which is thought to be a factor in issues with communication between general managers and section managers. Through such initiatives, we have been able to improve employee engagement and autonomy, accelerate innovation, and create an organization that can respond quickly and flexibly to changes in the business environment.



Psychological Safety Award
2023 "SILVER RING"

Human Resource Development

► NESIC's Human Resource Development Policy: The Ever-Changing NESIC × Individuals Who Take on Challenges and Grow

The NESIC Group has continued to grow by transforming its business in line with changes in customer needs, technology, and the environment. Throughout this history, we have continued to cultivate and refine our DNA of challenge-driven spirit, co-creation abilities, expertise, and autonomy.

We believe that it is important to create an environment in which every employee can continue to take on professional challenges and aim for greater heights, while also pursuing the provision of optimal services to customers at all times through the development of human resources who can adapt to change and the flexible allocation of such resources. In this way, we aim to maximize the creativity and performance of both the organization and the individual, and to continue to grow and develop sustainably.

In addition to establishing and developing an educational system that enables employees to acquire the skills and mindset necessary for each level of employment, from new employees to management, we have introduced a training service that enables personalization with the freedom to select and participate in over 17,000 courses.

In our medium-term management plan Shift up 2024, we have positioned consulting personnel, advanced DX professionals, and beyond 5G professionals as a priority focus, and we are working to secure and train personnel with advanced expertise, by defining roles and setting expected skill levels for human resources. The Shin-Kawasaki Technical-Base, which was established in November 2020 with the aim of evaluating and testing cutting-edge technologies and training engineers, is working to strengthen technical capabilities and develop human resources with expertise through a training system and programs tailored to different skill levels, as well as various technical training programs.

Status of related indicators		
Advanced human resources	FY2024/3 Results	FY2025/3 Target
Consulting personnel	75	190
Advanced DX professionals	564	1,190
Beyond 5G professionals	1,440	1,580

Topic 2

Three-Year Training Program for New Employees

We are making efforts to train new employees so that they can start contributing as soon as possible and take on challenges autonomously. We have established a three-year program in which we provide on-the-job training and basic skill development under a coaching system led by superiors and senior employees, with new employees receiving information from the time they receiving their offer of employment, and continuing with group training for new employees immediately after joining the Company.

We also provide training for the managers and coaches responsible for new employees, covering topics such as how to prepare for welcoming them into the Company, training techniques, and how to communicate with them. The entire organization is working to create a culture and provide opportunities that allow new employees to fully demonstrate their capabilities and contribute in a highly motivated manner.

Through these initiatives, the number of employees who are appointed as site supervisors, on-site representatives, and project leaders in their third year has increased, and we are promoting change by harnessing the strength of our young talent.

Comment from the Program Instructor

I conduct training that has practical applications in the workplace, with the aim of placing trainees among superiors and coaches to enable them to discover their own strengths and grow independently.

Based on how the trainees are responding, I strongly feel that their words and actions are changing for the better in relation to the workplace environment.

I will continue to fine-tune the training in line with the growth of employees and support the Company in its pursuit of further improvement.

Yuichi Miki

Consultant
Three-Year Training Program Instructor
Socio-tech Institute CO., LTD.

Human Capital Initiatives

Initiatives to Encourage Employees to Take on Challenges and Grow Autonomously

Career Autonomy

In line with the concept of individuals who take on challenges and grow, adopted under our human resource development policy, we provide opportunities and systems that enable each employee to consider their own career and personally take on challenges to achieve their goals.

<ul style="list-style-type: none"> • Personnel recruitment system and “job challenge” system that enables employees to transfer to their preferred division • In-house dual employment system that aims to encourage voluntary participation in company-wide projects • Efficient reskilling support through implementation of career assessment for all employees that visualizes behavioral characteristics and strengths, as well as points for improvement • “Deruku” (→P60), a contest for pitching new businesses that is open to all employees, regardless of age or position 	<p>Evaluations from Outside NESIC 5th Platinum Career Award (Top Prize)</p>	
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Topic 3

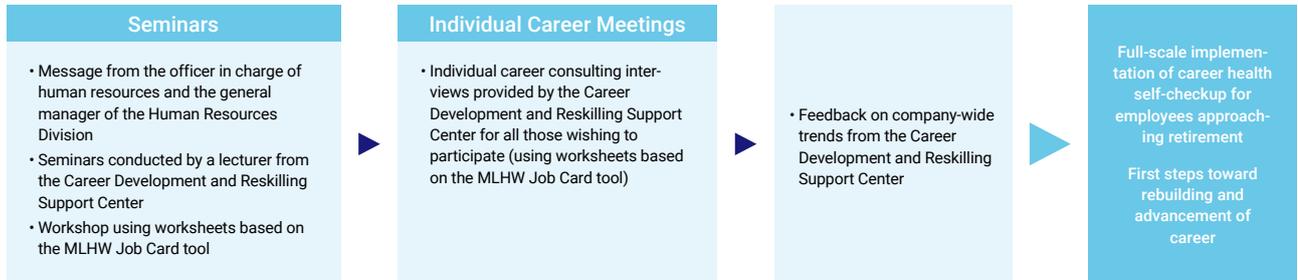
Career Design Support for Employees Who Will Turn 58 Years Old in the Fiscal Year Ending March 31, 2025

From December 2023 to March 2024, we trialed a “career health self-checkup,” which was provided through the Ministry of Health, Labour and Welfare (MHLW) Career Development and Reskilling Support Center with the aim of supporting employee career autonomy. The trial included seminars on general life and career topics for all employees approaching retirement, delivered by a lecturer from the center, as well as individual career consulting interviews with consultants dispatched by the project. Interviews were open to all pre-retirement employees wishing to participate, of whom 85% took part.

When surveyed three months after the seminar, we found that 70% of the participants had made changes in their attitudes and actions, such as considering and taking steps to develop new approaches to their careers after retirement.

Based on feedback from the Career Development and Reskilling Support Center and comments from employees about this initiative, we will begin full-scale implementation of the career health self-checkup for employees approaching retirement from the fiscal year ending March 31, 2025. We will also work to rebuild career autonomy support measures company-wide and enhance career training and promote the creation of a culture where employees can take initiative, as set forth in our materiality issues.

Overview of Career Health Self-Checkup Initiative



Verifying the Effects of the Initiative through Post-Implementation Follow-Up Questionnaires

Feedback from employees **The self-checkup enabled me to think about taking ownership of my career**
It gave me the opportunity to take the first steps in thinking about my career

<p>Before implementation (December 2023)</p> <ul style="list-style-type: none"> • Employees who are conscious of and taking action regarding their post-retirement career <p>26% (from real-time questionnaire on day of guidance)</p> <ul style="list-style-type: none"> • Primary concerns are related to financial compensation from the Company 	<p>After implementation (February 2024)</p> <ul style="list-style-type: none"> • Employees who are conscious of and taking action regarding their post-retirement career <p>70%</p> <ul style="list-style-type: none"> • Primary concerns are being able to live and work based on one’s own values
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Promotion of Diverse Workstyles, Health Management, and Well-Being

It is essential that employees remain healthy so that they can maximize their personal capabilities to achieve management strategies.

We provide a variety of options in terms of working locations and hours so that each employee can choose the system that best suits their situation.

Having announced our Health Management Declaration under the health management promotion system for which the president himself is responsible, we are working on various measures to promulgate our health management philosophy and promote employee health.

To realize management strategies and improve personal well-being, the Company is focusing on improving the health literacy of its management staff and encouraging changes in behavior to maintain and improve their own health, as well as that of their subordinates and their families. Since 2021, the Company has encouraged employees to take the Japan Master of Health Literacy Test administered by the Japan Master of Health Literacy Test Association. At present, more than 2,400 employees have obtained qualification, including those outside the managerial level, making NESIC one of the leaders in Japan in this regard.

Status of related indicators	
Japan Health Master Examination Number of employees holding qualification (includes both Basic and Master qualification holders) Approx. 2,400 (Cumulative total as of FY2024/3)	Ratio of paid leave taken FY2024/3 Results 66.0%

Evaluations from Outside NESIC



Certified Health and Productivity Management Outstanding Organization 2024



1st WELLBEING AWARDS Gold Idea Award in the Organization / Department category

Toward a Better, Stronger Organization

To sustainably grow and develop, we believe that it is vital to further reinforce the connection between NESIC and its employees by aligning company-wide vectors.

To achieve this alignment, we are focusing on creating opportunities for dialogue, and we are aiming to build communication through a variety of methods, such as town hall meetings where management and employees can engage in open and natural discussion on issues, and nationwide caravans to explain business policies.

Based on the results of the employee engagement survey conducted in the fiscal year ended March 31, 2024, we analyzed issues related to engagement for each division, and the general managers of each division set their own targets for improving engagement and implemented specific measures. We also conducted a monthly survey to measure the effectiveness and trends of these measures and used the results to improve engagement.

Status of related indicators	
Engagement score status (Scores obtained from a survey conducted by global human resource consultancy Kincentric)	
FY2024/3 Results 28%	FY2025/3 Target 50%
(This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level.)	

Status of related indicators
Number of town hall meetings 11 (FY2024/3)
Number of nationwide caravans to explain business policies 10 (5 at local bases, 5 in Shibaura head office area) (Implementation period: May 2023 to May 2024)

Initiatives for Accelerating Innovation

For NESIC to continue to be a company that is needed and chosen by society, it must continuously evolve, and for this we believe that innovation is an essential element. In our materiality we set forth the strengthening of innovation capabilities to create new value as an important initiative for growth, and by implementing various measures for each objective and target, we provide opportunities and environments where employees can take the initiative and challenge themselves. We are continuing to accelerate innovation and create new value by shifting to a corporate culture that encourages change, taking on challenges, and nurturing individuals who continue to challenge themselves and grow.

“Derukui,”* NESIC’s Contest For Pitching New Businesses

With the aim of fostering a culture that nurtures and highly values employees who are willing to take on new challenges, we hold “Derukui,” a contest for pitching ideas for new businesses, among the Company and its affiliates. The contest serves as a new system for creating business that gives all employees the chance to shine, regardless of age, position, or affiliation.

Participants may freely propose new business ideas based on familiar issues and concerns, or on themes in line with the medium-term management plan. During the application period, events are held such as workshops on generating new business ideas and individual consultation sessions where participants can discuss issues they want to tackle, helping to develop human resources who can drive innovation in a variety of situations beyond the scope of the contest.

Upon consideration, selected participants receive support from outside experts to verify and refine their business ideas. By taking on board the opinions of outside experts as well as those of the Company, participants can learn about business frameworks while gaining fresh insights.

Ideas that pass multiple rounds and a final screening by outside judges and management are considered for commercialization, and there have been cases where this has led to the actual provision of services.

Number of ideas pitched
First contest (2021/4–2022/2)
133
Second contest (2022/10–2023/11)
183



* In Japan, there is a saying that “the nail that sticks out gets hammered down.” We named the pitch contest “Derukui” (meaning “the nail that sticks out”) to convey our aim of creating an organizational culture that encourages employees to stand out from the crowd and actively propose ideas, and in which they receive support and praise for doing so.

“Fusion,” Our Open Innovation Program

We also hold an open innovation program with a view to creating new value by combining our existing technologies with the advanced technologies of startup companies, and with the aim of making collaboration with startup companies a matter of course. Rather than simply aiming to create new markets and businesses, as is the case with other programs, we see this as a measure for sparking innovation by taking inspiration from existing technologies and fusing them with knowledge and technologies outside the Company. In seeking collaborative partners, we have publicly disclosed information such as our technologies, sales channels, facilities, and know-how, along with our new business ideas. Startup companies that share our enthusiasm for these ideas have then worked with our business review team to examine, and with the support of outside experts, refine these ideas with a view to commercialization.

FUSION



Messages from Participants



Momoka Sugamuta

Digital Professional Group
Symphonict Business Promotion Division
DX Solutions Business Unit

Seiji Takahashi

Consulting Promotion & Metropolitan Area Group
Business Process Innovation Strategy Division
Marketing & Sales Operations Unit

Developing and Refining Ideas While Learning About Frameworks for Commercialization

We participated in “Derukui” with the idea of using festivals to lift people’s spirits, based on our own experiences with being uplifted and energized by festivals. Given their nature, we struggled to find a way to turn them into a business, but with the support of outside mentors and through discussions among our team, we arrived at the idea that festivals should be a starting point for revitalizing local communities, rather than being the main focus. Although we didn’t make it through to the final round of judging, our pitch was picked up by a local government and we have now developed the idea in a new way. We feel that learning about frameworks for commercialization through “Derukui” has been useful in the process of listening to our customers’ issues and seeking solutions, and we believe we will be able to utilize this valuable experience in the future.

Using “Derukui” as a Catalyst for Providing New Services to Address Front-Line Issues

I grew up in a family that runs an auto repair and maintenance shop, so being familiar with issues faced by those on the front lines, I applied for “Derukui” as soon as I heard about it. I think my idea was well suited to the objective of creating businesses by using issues as a starting point. The idea I came up with is currently being offered as a maintenance information navigation service, and I would like to expand and develop it into a data utilization business in the future. Through “Derukui” I was able to share my enthusiasm for innovation and learn about creating new businesses while being inspired by the other participants, which was great. I believe that failure in itself is a valuable experience, so I hope that through initiatives like this, we can create a culture that spurs innovation by encouraging employees to take on challenges and praising even failed attempts.



Ryoji Yano

Symphonict Business Promotion Division
DX Solutions Business Unit



Takuya Suzuki

Business Development Promotion Group
Business Development Division
Network Solutions Business Unit

Haruto Suzuki

Business Creation Promotion Group
Business Development Division
Network Solutions Business Unit

Aiming to Implement Technology that Can Contribute to Society through Collaboration

We have always been interested in social issues and wondered why technologies with the potential to help solve them had not yet been implemented into society. With this in mind, we thought that the Company should accelerate implementation from the standpoint of working closely with customers, and so we participated in “Fusion” with the theme of using drones in offshore surveillance. By conducting demonstration tests with local governments and hearing the opinions of those involved, we were able to gain insights into latent needs and other issues that we would not have been able to discover through our regular business activities alone. We were also able to make contact with government agencies by working with our sales department and leveraging the Company’s broad range of business areas. We would like to continue working with vendors and other companies to further advance our technologies. We would also like the Company to continue to value the importance of creating opportunities for young employees to learn through practical experience.

Full versions of participants’ messages are available on NESIC’s SNS note. Please visit the website below (Japanese only).
<https://note.nesic.co.jp/n/n353e3da74eb7>



Communication with Stakeholders

Communication with Suppliers

The NESIC Group conducts business with full consideration given to the effect on the environment and society as a whole through collaboration and co-creation with the suppliers that comprise NESIC's unique supply chain, and in so doing, is able to gain the trust of society and contribute to the creation of sustainable value. Based on this approach, we are learning together with suppliers about issues faced by society and the effect business can have on society while continuing to engage in creating an improved supply chain.

Promoting a Responsible Supply Chain

The NEC Group Procurement Policy and Guidelines for Responsible Business Conduct in Supply Chains identify six key risks and call for responsible corporate conduct, including with regard to upstream suppliers. We also ensure that our suppliers fulfill and comply with this policy and guidelines by obtaining from them a Declaration Concerning Responsible Business Conduct in Supply Chains.

▶ Results of Supply Chain Risk Assessment and Corrective Measures

NESIC conducts sustainable procurement self-assessment questionnaires (SAQs) to check suppliers' compliance with requirements and initiatives in the areas of human rights, health and safety, the environment, fair trade, and others. We share feedback on the results and implement guidance on necessary improvements and revisions for suppliers whose initiatives are insufficient or are evaluated to have latent risks.

▶ Supplier Hotline

To promote honest and fair transactions, the NESIC Group has established the Corporate Ethics Hotline for suppliers, through which it accepts reports of compliance violations or suspected non-compliance in procurement activities. The hotline is in place as a mechanism for responding to complaints and consultations on business transactions, while taking into consideration the privacy of whistleblowers by having them go through a third party.

▶ Initiatives to Strengthen Business Partnerships

On June 23, 2022, we announced details of our Declaration of Partnership Building, which was introduced in response discussions at the Council on Promoting Partnership Building for Cultivating the Future held by Japan's Cabinet Office and the Ministry of Economy, Trade and Industry. By properly sharing profits and costs throughout the supply chain, we will ensure appropriate transactions and co-create fair trade.



NESIC's Declaration of Partnership Building
https://www.nesic.co.jp/shizai/shizai_partnership.html (Japanese only)

Enhancing Supplier Engagement

▶ Key Partner Program

We have established a key partner program as a mechanism for mutually increasing business output and strengthening market competitiveness through the sharing of business strategies with procurement partners. In selecting key partners, we have added a sustainability assessment as one of the key criteria from the fiscal year ending March 31, 2025, in light of the increasing importance of sustainability activities.

In addition, we hold the Key Partner Council meeting four times a year to raise the level of our key partners' initiatives through explanations and discussions on safety and quality, information security, and supply chain sustainability. In addition, we hold individual feedback sessions once a year to discuss the results of our key partner evaluations. We will continue to build better as we strive to forge even stronger co-creative relationships.

▶ Sustainability Awards Program

We have established a program presenting sustainability awards to key partners who engage in sustainability-related activities that serve as exemplary models for others. When selecting award recipients, we use the results of sustainable procurement self-assessment questionnaires (SAQs) as well as our own unique indicators for quantitative scoring. Annual networking events are held for key partners, and in 2024, we presented awards to two companies for their overall excellent achievements.

Main Initiatives for Suppliers

- Business trend briefing (held once a year)
- Letter of appreciation ceremony (held once a year)
- Sustainability Awards (held once a year)
- Share business information at New Year meeting (held once a year)
- Key Partner Council meeting (held four times a year)
- Company-wide safety conference (held once a year)
- Live product show (held once a year)



Plaque presented at the Sustainability Awards



Sustainability Awards 2024

Communication with Shareholders and Investors

NESIC's disclosure policy is to accurately and promptly explain management developments and operating policies to shareholders and other stakeholders, and the Company regularly engages with capital markets within and outside of Japan through various briefings, interviews, and other means. We create opportunities for discussion with top-level management, including the president, through investor briefings and one-on-one meetings, as well as opportunities to engage with investors specializing in ESG in collaboration with the departments responsible for sustainability efforts, and opportunities to discuss with investors and analysts about improvement in terms of both financial and non-financial business activities and related information disclosure to enhance corporate value.

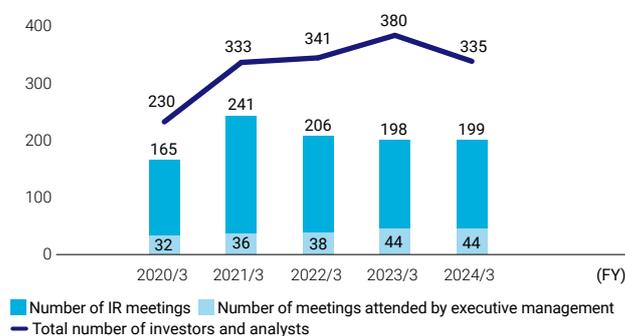
In addition, to promote further understanding of our focused businesses, we have held briefings led by executive general managers in charge of business units since the fiscal year ended March 31, 2020, and in December 2023, we held a briefing session on Symphonict—one of the pillars of our DX business. Furthermore, in the fiscal year ended March 31, 2024, we established IR Day as an event for dialogue with management in charge of our three main segments, and at the second IR Day in June 2024, we extended

the opportunity for discussion with the CFO about management initiatives that consider capital costs and share prices.

The opinions and requests received from regular meetings and other communications are reported to all executives, including independent directors and corporate auditors, from the investor relations section, and we will continue to reflect these in efforts to strengthen management and improve corporate value.

Number of IR Meetings (excluding large-scale meetings)

(Meetings / People)



Opinions Received at Meetings with Investors and NESIC's Responses

Opinion

While there is no single correct figure for the cost of capital, it is desirable that it be disclosed in any case, so that we can understand the hurdle rate that the Company is considering. It is important to then proceed with discussions on improving ROE and reducing the cost of capital.



Response

We have disclosed actual figures in addition to our approach to the cost of capital. In addition, we have outlined our approach to management that is conscious of the cost of capital and stock prices, including our current understanding of shareholder value and efforts to improve ROE and reduce capital costs, in the Financial and Capital Strategy section (→P42) and we also explained this directly to investors at IR Day.

Opinion

It would be good to have further explanation of whether the relationship with the parent company is being monitored properly. I would also like to hear about the Company's approach and discussions on succession and linking non-financial indicators to director remuneration.



Response

We have disclosed messages from the chairpersons of the Special Committee and the Nomination and Compensation Committee. The messages from the outside directors who serve as chairperson of each committee include information on issues of focus in their discussions, their awareness of issues, and their future policies. (→P67, P69)

Opinion

The word "innovation" appears frequently in the Company's integrated reports, but it would be easier to understand what is meant by this if there were examples of actual innovation within and outside the Company.



Response

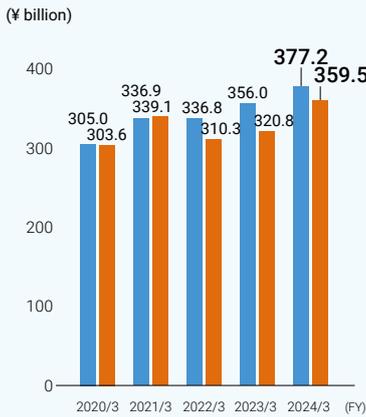
We have featured messages from participants of our in-house innovation program in this year's integrated report. The participants discuss the results they have achieved through the program, which include creating new businesses and creating businesses that make use of existing technologies, as well as the experiences that have led to the acceleration of innovation. (→P61)

Financial and Non-Financial Highlights

Financial Data

Ordered Received / Net Sales

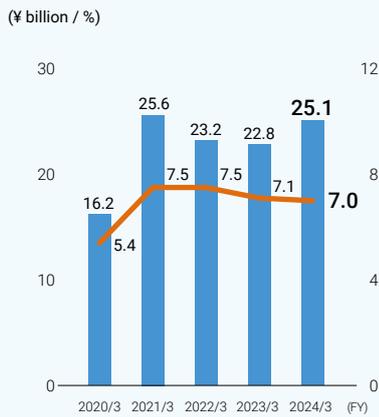
Both orders received and net sales exceeded previous records. Orders from companies, government agencies, and overseas customers were particularly strong, while sales from backlogged orders began in earnest with the resolution of the component shortage.



■ Orders received ■ Net sales

Operating Income / Operating Margin

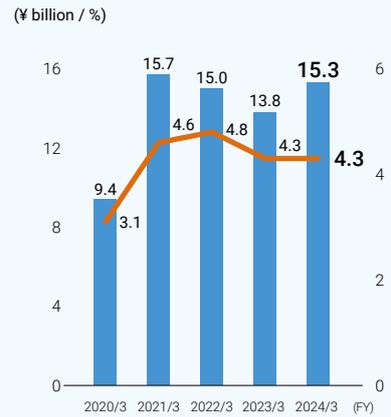
Due to the increase in net sales, we were able to absorb the increase in growth-related expenses, such as the cost of renewing core systems to strengthen data-driven management, leading to an increase in operating income.



■ Operating income (left)
— Operating margin (right)

Net Income Attributable to Owners of the Parent

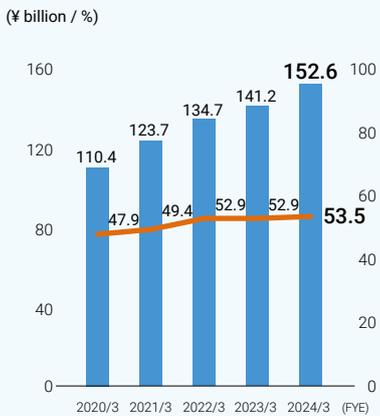
Net income attributable to owners of the parent increased along with the increase in operating income.



■ Net income attributable to owners of the parent (left)
— Net income ratio attributable to owners of the parent (right)

Owner's Equity / Owner's Equity Ratio

Owner's equity increased 0.6 percentage points year on year to 53.5%. As a company that facilitates the development of social infrastructure, we maintain a solid financial base.



■ Owner's equity (left) — Owner's equity ratio (right)

ROE / ROA

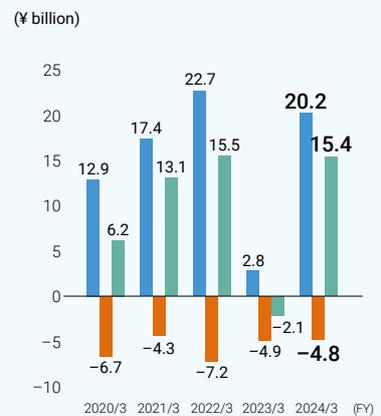
Improvements in profitability and working capital efficiency also led to improved capital efficiency, which was reflected in higher year-on-year ROE and ROA levels.



— ROE
— ROA

Cash Flows

Both cash flows from operating activities and free cash flows increased significantly from the previous year due to an increase in profits and a rebound from worsened performance in the previous year that arose from a delay in the timing of cash received.

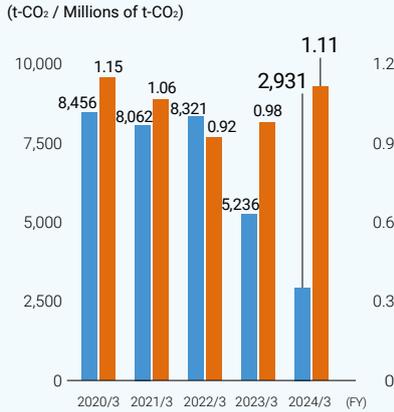


■ Net cash provided by (used in) operating activities
■ Net cash provided by (used in) investing activities
■ Free cash flows

Non-Financial Data Non-Consolidated

Greenhouse Gas Emissions

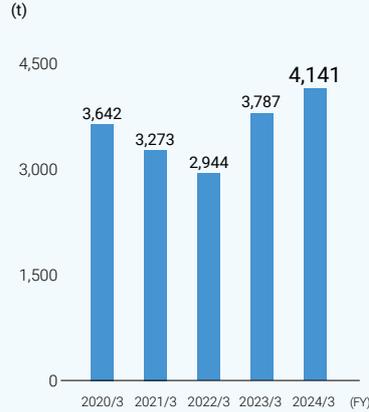
We are working to reduce greenhouse gas emissions with the aim of helping realize a low-carbon society.



■ Scope 1 and 2 (left) ■ Scope 3* (right)
 * In terms of Scope 3, we revised calculations for figures from FY2020/3 onward based on the results of third-party verification for FY2022/3 data.

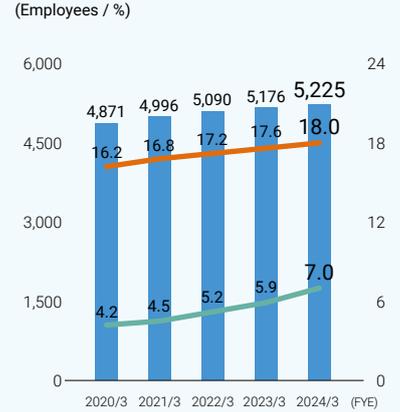
Total Waste Emissions

Despite an increase in total waste emissions from projects that involve dismantling and demolition construction in the fiscal year ended March 31, 2024, we are striving to reduce the amount of waste emissions from our business activities.



Number of Employees / Ratio of Women / Ratio of Women in Management Positions

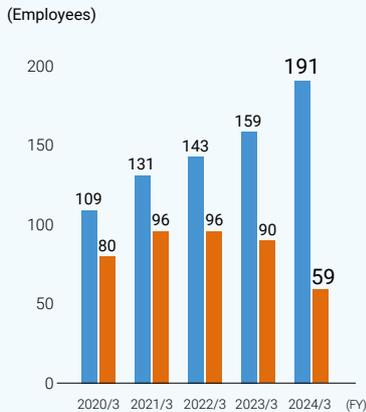
The number of female employees and the ratio of women in management positions continue to rise as they play an active role in a wider range of fields.



■ Number of employees (left)
 ■ Ratio of women (right)
 ■ Ratio of women in management positions (right)
 Note: From FY2023/3 onward, the aggregation method for calculating the ratio of women in management positions has changed (now includes employees seconded to other companies but not those seconded to NESIC from other companies).

Number of New Graduate Hires / Number of Mid-Career Hires

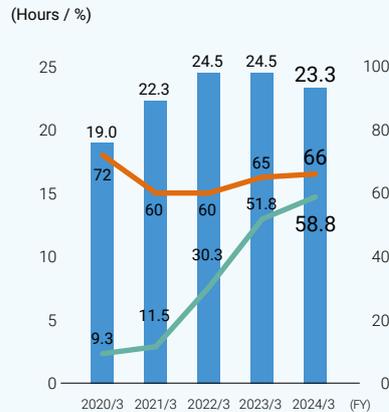
To accelerate the creation of new value, we secure individuals of various backgrounds through new graduate and mid-career hires.



■ Number of new graduate hires
 ■ Number of mid-career hires

Average Monthly Overtime (Per Employee) / Ratio of Paid Leave Per Person / Ratio of Male Employees Taking Childcare Leave

We strive to achieve efficient and effective workstyles for the purpose of maintaining and enhancing employee well-being.



■ Average monthly overtime (per employee) (left)
 ■ Ratio of paid leave per person (right)
 ■ Ratio of male employees taking paternity leave (right)

Number of Employees Holding Japan Master of Health Literacy Qualification (Cumulative)

In accordance with our Health Management Declaration, we engage in company-wide efforts to encourage employees to obtain the qualification. An essential management skill, we have also made proficiency in health management a condition for promotion to managerial positions.



■ Master qualification holders (left)
 ■ Expert qualification holders (left)
 ■ Percentage of employees holding qualification (right)

Corporate Governance

Basic Approach to Corporate Governance

NESIC believes that enhancing corporate governance is critical to realize an affluent society with vibrant communication and for sustaining increases in corporate value. Accordingly, in April 2022, we established NESIC's Basic Policy on Corporate Governance to outline its basic approach, and on which basis NESIC strives to enhance a management structure that enables prompt decision-making in response to changes in the business environment, and to ensure the transparency and soundness of management through prompt and appropriate disclosure.

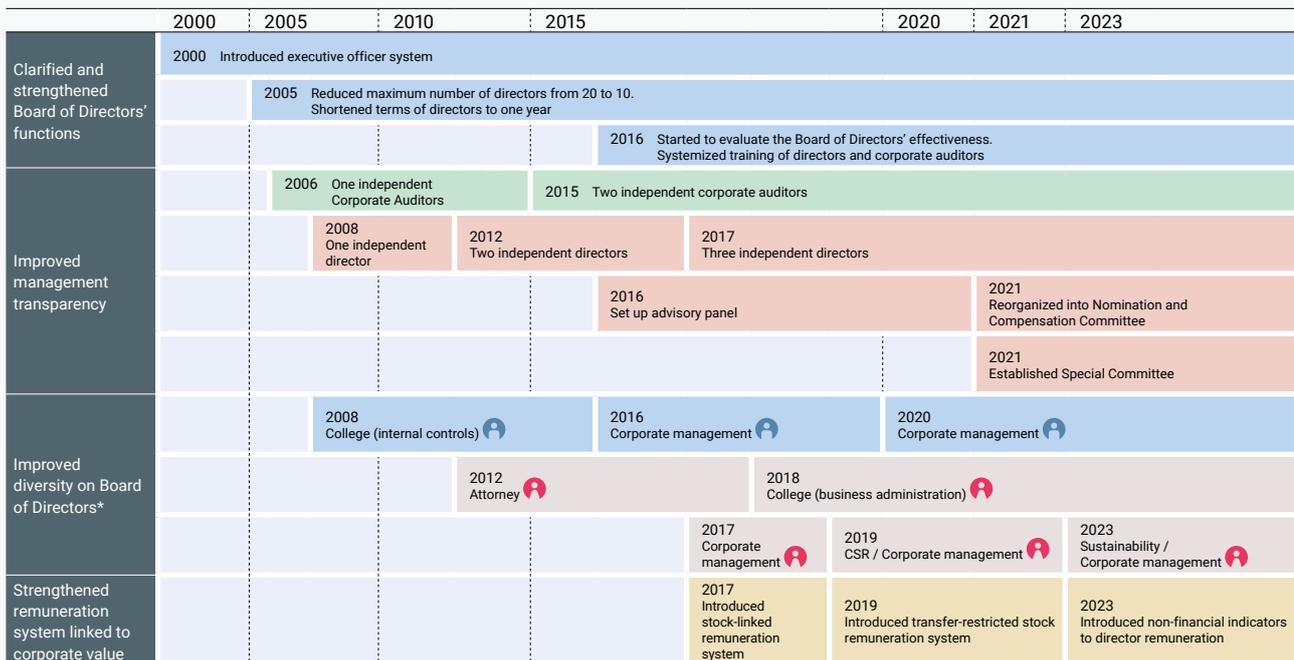
We have adopted a "company with Board of Corporate Auditors" system. We consider that the advice of outside directors in the decision-making of important business execution and objective audits by corporate auditors from an independent standpoint are effective for sound management. Currently, one third of the nine directors on the Board of Directors are independent outside directors, and one third are female directors, giving the Board as a whole a well-balanced composition in terms of experience, knowledge, expertise, gender, and other attributes. This structure allows for lively discussions that incorporate a variety of perspectives at

meetings of the Board of Directors. In the fiscal year ended March 31, 2024, there were substantial discussions on a variety of topics, including changes to the policy for determining the content of individual directors' compensation (introduction of non-financial indicators), actions to implement management that is conscious of the cost of capital, company-wide investment strategies, business portfolio analysis, and improving profitability of projects, with the aim of achieving further growth for us from both a financial and non-financial perspective.

In addition, we are a listed subsidiary, and we consider the protection of the interests of minority shareholders to be an important matter. In order to grow as a company while implementing appropriate corporate governance as a listed subsidiary, we are working to ensure our independence from the majority shareholder, as described in Relationship with the Parent Company (→P68). We will continue to give top priority to compliance in our business operations, and carefully consider and establish the optimal corporate governance system in light of social demands and other factors.

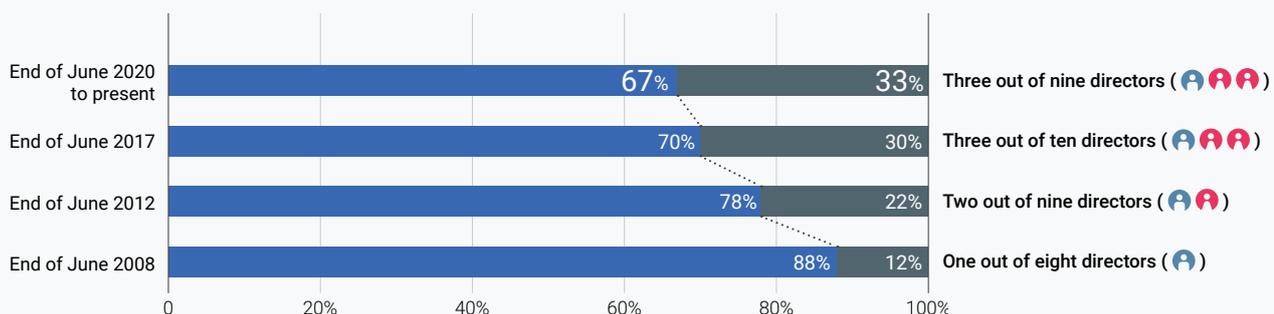
History of Reinforcing Corporate Governance

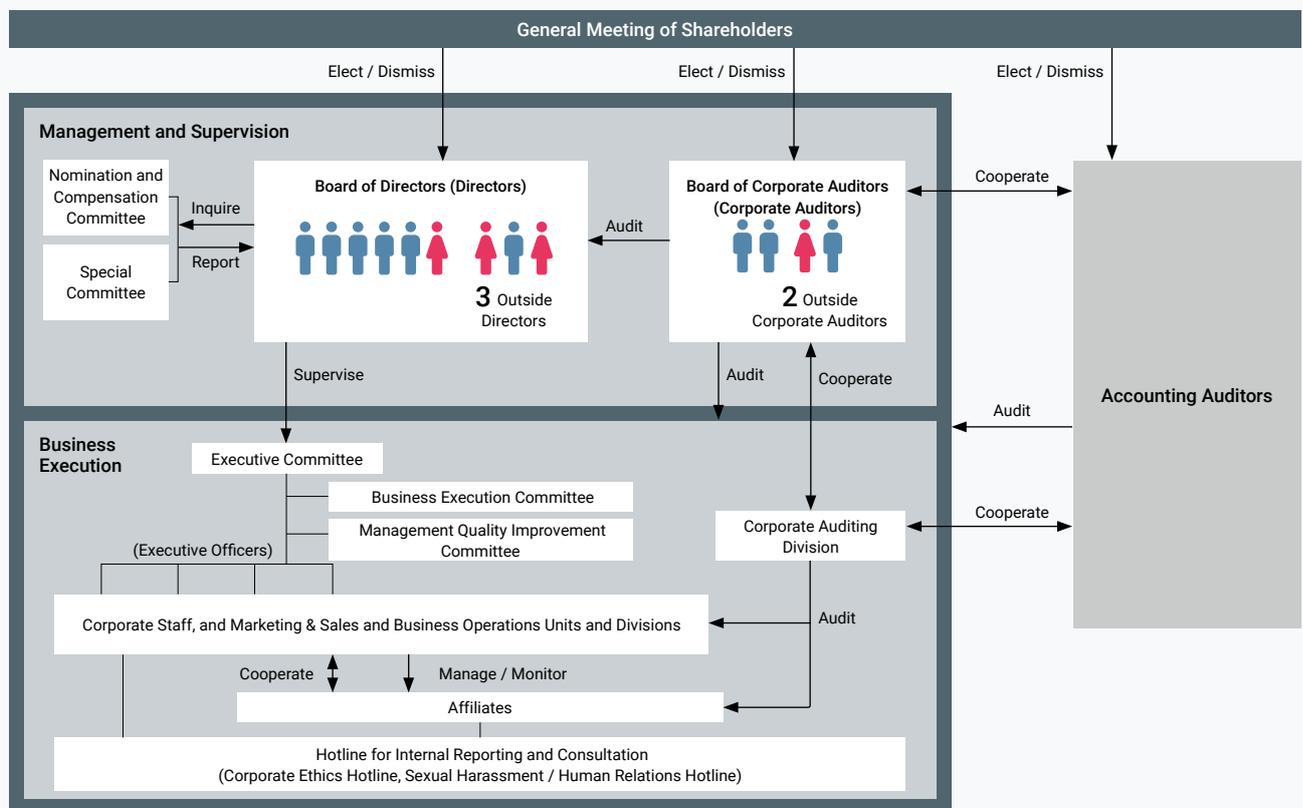
(Year)



* Applies to independent outside directors

Changes in Structure of Board of Directors (ratio of independent outside directors)





Board of Directors

As the principal decision-making authority within NESIC, the Board of Directors makes decisions on important matters based on the procedural rules of the Board of Directors, and it is also positioned as a body for deepening discussions about the broader direction of the corporate strategy, including the medium-term management plan. The term of directors is set at one year to clarify the management responsibilities of directors and strengthen the management structure.

Board of Corporate Auditors

The Board of Corporate Auditors decides auditing policies and reports on the audits performed by individual auditors. Corporate auditors participate in meetings of the Board of Directors and other important meetings, review important documents related to final decisions, and listen to reports on business execution by directors, executive officers, and employees. In this way, corporate auditors adequately audit the directors as they perform their duties.

Executive Committee and Business Execution Committee

The Executive Committee has been established to discuss important matters related to corporate management and business execution, and this committee enhances deliberations and ensures appropriate decision-making. The Business Execution Committee has been established to report on the status of business execution, such as monitoring progress with respect to meeting budgets adopted by the Board of Directors, with the aim of sharing management information and promoting execution efficiency.

Special Committee

- Objective:** The Special Committee has been established to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.
- Members:** Independent outside directors
- Chair:** Mamoru Yoshida (independent outside director)
- Matters for discussion:** The committee shall discuss the following matters and report the contents and results of these discussions to the Board of Directors as appropriate.
 1. Status of major transactions with NEC
 2. Conclusion of contracts in regard to M&As (including business transfers and acquisitions, divestitures, and mergers) with NEC and its subsidiaries
 3. Other important matters that may conflict with the interests of NEC and NESIC's minority shareholders
- No. of meetings held:** As appropriate (to report on the status of transactions with NEC once a year and when M&As and other major transactions take place)



Mamoru Yoshida
Outside Director

Message from the Chair of the Special Committee

I believe that the Special Committee, which is responsible for protecting the interests of minority shareholders, plays an important role in ensuring that NESIC benefits from the advantages of having NEC (NEC Corporation) as a parent company and to further increase value unique to being a listed subsidiary. In addition to confirming the status of transactions with NEC each fiscal year, we also receive information from the executive side regarding transactions with NEC that exceed a certain amount, based on the criteria for deliberation by the Special Committee, and the Special Committee deliberates on the appropriateness and profitability of the transactions, and takes appropriate measures such as reporting to the Board of Directors. Raising awareness of the issue of conflicts of interest that can arise from parent-subsidary listings is not easy, but I am strongly urging executive side to work on building awareness within NESIC.

Relationship with the Parent Company

As a member of the NEC Group, NESIC benefits greatly from being in charge of system integration and maintenance services related to the services provided by NEC Group companies, and from being able to tap into NEC’s brand recognition, technological capabilities, personnel, and other business resources in our own business. In particular, in DX × Beyond 5G, which NESIC is focusing on, NEC’s technological capabilities are outstanding, not only in network technologies such as 5G, but also in facial recognition technology in the digital realm. We intend to deploy these technologies more than ever to increase corporate value.

That said, we are an independent listed company that engages in business based on our own management decisions, using flexible and independent decision-making methods. By utilizing a wide range of products and services both in Japan and overseas that go beyond NEC products, we are able to provide solutions quickly and flexibly in response to customer and social issues, which in turn adds value to our company. Independent business accounts for 75% of our net sales. In particular, one of NESIC’s unique strengths is that we offer multi-vendor services with a focus on quality only the NEC Group can provide, and this contributes greatly to the creation of unique added value through co-creation with various partners, including startup companies. We also believe the fact that NESIC is a listed company sustains and increases the motivation of its employees and leads to the recruitment of talented personnel.

As such, in order to continue to reap the benefits of being both a member of the NEC Group and as an independent listed company, and to continue to create value that only NESIC can create, we understand the importance of establishing a system

that properly protects the rights of general shareholders in its capacity as a listed subsidiary. Based on this understanding, NESIC has been gradually strengthening its systems, such as by appointing independent outside corporate auditors from 2006 and independent outside directors from 2008. In the fiscal year ended March 31, 2022, NESIC established the Special Committee, which is composed solely of independent outside directors, and deliberates on the status of significant transactions with the parent company, the conclusion of contracts on M&As (such as business transfers, acquisitions, splits, and mergers) between NESIC and the parent company including its subsidiaries, and other important matters that may pose a conflict of interest risk with minority shareholders of NESIC and the parent company. In addition, we are working to protect minority shareholders by making the terms and conditions of certain transactions with the parent company subject to our internal procedures for examining their reasonableness, and the Special Committee confirms the results of these examinations. Furthermore, we are working to improve shareholder returns based on our own dividend policy, and we have increased our dividends for 17 consecutive years.

As a listed company, NESIC engages in dialogue with shareholders and investors to keep their opinions and expectations in mind when managing our operations, which we believe makes NESIC stronger and leads to higher corporate value. We will continue to strengthen our corporate governance structure, including improvement of the Board of Directors’ functions, while further enhancing our dialogue with the market.

Nomination and Compensation Committee

Objective:	The Nomination and Compensation Committee has been established to deliberate and examine the nomination and remuneration of directors from the viewpoint of ensuring transparency, validity, and objectivity.
Members:	Representative directors and independent outside directors
Chair:	Michiko Ashizawa (independent outside director)*
Matters for discussion:	The committee shall discuss the following matters and report the contents and results of these discussions to the Board of Directors as appropriate. However, personnel matters related to corporate auditors shall be subject to the consent of the Board of Corporate Auditors. <ol style="list-style-type: none"> 1. Matters concerning the personnel of the Board of Directors and the representative director 2. Matters concerning the compensation and bonuses of directors and the representative director 3. Matters concerning the personnel of the Board of Corporate Auditors 4. Matters concerning the succession plan of directors, etc. 5. Important matters concerning other personnel and compensation
No. of meetings held:	Four times a year (additional meetings are held as necessary)

* Mikiko Morimoto (independent outside director) serves as chair of the committee as of July 30, 2024.

Nomination and Compensation Committee

Period	Agenda
FY2023 First Meeting (May 31, 2023)	<ol style="list-style-type: none"> 1. Items related to director remuneration 2. Director remuneration that utilizes non-financial indicators
FY2023 Second Meeting (July 28, 2023)	<ol style="list-style-type: none"> 1. Chair of the Nomination and Compensation Committee from July 2023 2. Succession planning
FY2023 Third Meeting (November 30, 2023)	<ol style="list-style-type: none"> 1. Succession planning (continued) 2. Director remuneration (composition, ratio, bonuses, etc.)
FY2023 Fourth Meeting (January 30, 2024)	<ol style="list-style-type: none"> 1. Proposal for director and corporate auditor system from June 2024 2. Division of duties among directors 3. Committee operations in FY2024
FY2023 Fifth Meeting (March 29, 2024)	<ol style="list-style-type: none"> 1. Confirmation of draft proposals for appointment of directors and corporate auditors to be submitted at the General Meeting of Shareholders
FY2024 First Meeting (April 15, 2024)	<ol style="list-style-type: none"> 1. Skills matrix
FY2024 Second Meeting (May 31, 2024)	<ol style="list-style-type: none"> 1. Director remuneration (results of reflection of non-financial indicators in bonuses)



Michiko Ashizawa*
Outside Director

Message from the Chair of the Nomination and Compensation Committee

Companies need to constantly transform to adapt to changes in the external business environment. However, companies also have their own internal logic based on path dependence. The Nomination and Compensation Committee holds repeated discussions from the perspective of whether the design of top-level management compensation and succession planning is too focused on internal logic, and whether these systems are appropriate for NESIC's goals.

In the fiscal year ended March 31, 2024, discussions on the succession of the president reached a critical point. In addition, we spent a lot of time discussing the linking of non-financial indicators to compensation.

We recognize that, in the fiscal year ending March 31, 2025, as the Nomination and Compensation Committee, we need to continue to develop the scope of linking non-financial indicators to compensation, in conjunction with discussions of the medium-term management plan. We will also contribute to further efforts to diversify the management team on the executive side, including with regard to women in management positions.

* Mikiko Morimoto (independent outside director) serves as chair of the committee as of July 30, 2024. The committee is composed of two representative directors and three independent outside directors, and Michiko Ashizawa continues to serve as a committee member.

Policies and Procedures for Nominating Directors

Nomination Policies and Procedures

When nominating candidates for director, the Board of Directors makes decisions after a comprehensive evaluation based on finding the right person for the job, taking into account the desired qualifications, while seeking individuals who have skills and experience to lead management and can contribute to the development of our business.

Nominations are discussed by the Nomination and Compensation Committee, which consists of a majority of independent outside directors and is chaired by an independent outside director, and based on the opinions expressed, the Board of Directors deliberates on the agenda for nominating directors, and the Board of

Corporate Auditors deliberates and consents to the nomination of corporate auditors, which are submitted for approval by the General Meeting of Shareholders.

Dismissal Policies and Procedures

On dismissing a director, NESIC's Board of Directors explains the reasons for their dismissal to the Nomination and Compensation Committee, which mainly consists of independent outside directors, in the event that a director is not adequately carrying out their duties. After receiving suitable advice, the Board of Directors makes a decision and moves to dismiss the director, which requires approval by the General Meeting of Shareholders.

Director Remuneration

Basic Policy on Director Remuneration

NESIC's remuneration systems reflect work responsibilities and results. Remuneration for directors is set at an appropriate level and linked with the business performance, etc., in order to

maintain competitiveness in the industry and function as an incentive to improve business performance.

Procedure for Determining Director Remuneration and Calculation Method

<Calculation Method for Remuneration>

- Fixed compensation (monthly compensation)

Fixed compensation is paid each month as a salary in amounts based on basic remuneration commensurate with rank, duties, and responsibilities, plus consideration for the individual performance of each director.

- Performance-linked compensation (bonuses)

Bonuses are paid at a certain time every year in amounts decided for each director based on the extent to which they have contributed to the business for which they are responsible and their rank, as well as the degree to which targets for financial indicators (year-on-year growth in net sales and operating income) and non-financial indicators (greenhouse gas emissions, employee engagement score, and ratio of women in management positions) have been achieved.

The non-financial indicators and targets are set on an annual basis and are determined based on the results of discussions at meetings of the Nomination and Compensation Committee.

Financial Indicator	FY2023/3	FY2024/3	Year-on-year growth
Net sales (¥ billion)	320.8	359.5	112.1%
Operating income (¥ billion)	22.8	25.1	110.4%

- Non-monetary compensation (stock compensation)

At a certain time each year, directors receive restricted-transfer stock remuneration based on their rank with the objective of providing incentive for constantly improving NESIC's corporate value and aligning the values of directors with those of shareholders.

<Procedure for determining director remuneration>

- At the Board of Directors' meeting held in February 22, 2021, NESIC passed a resolution governing how to decide the particulars of remuneration for each director.

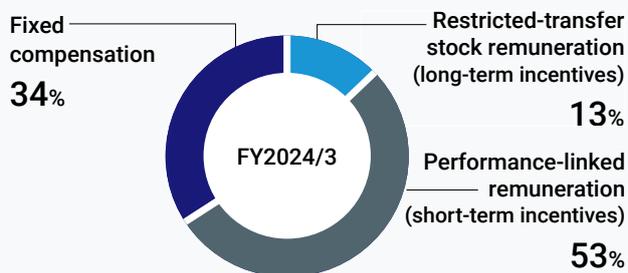
Individual compensation of directors for the fiscal year under review is determined based on the policy for determining director remuneration approved by the Board of Directors and by respecting the views of the Nomination and Compensation Committee, which comprises a majority of independent outside directors and is chaired by an independent outside director. The Board of Directors has determined that individual director compensation for the fiscal year under review is in line with the policy for determining director remuneration.

- Decisions on the amount of fixed compensation (monthly compensation) of directors and the evaluation and allocation of bonuses based on the performance of the divisions of which the director is in charge, excluding directors who do not engage in business execution, are delegated by the Board of Directors to the president and representative director. The reason for delegating this authority is that NESIC has determined that the president and representative director is best suited to evaluate the performance of the business divisions of each director, while extensively monitoring NESIC's overall performance.

Decisions on delegated matters are made within the boundaries of the total amount of compensation as determined by resolution of the General Meeting of Shareholders, based on the results of deliberations by the Nomination and Compensation Committee.

Stock-based compensation shall be granted in accordance with the rank of each director and the number of shares to be allocated to individual directors shall be decided by the Board of Directors.

Breakdown of Director Remuneration (excluding directors in non-executive positions)



Remuneration for directors not involved in business execution is paid as a monthly fixed amount that is not linked to business performance due to their role of supervising business execution.

Director and Corporate Auditors Remuneration in the Fiscal Year Ended March 31, 2024

	Total remuneration (¥ million)	Breakdown of total remuneration (¥ million)			Number of eligible directors (people)
		Fixed compensation (monthly)	Performance-linked compensation (bonuses)	Non-monetary compensation (stocks)	
Directors	226	99	101	25	13
Outside directors	26	26	—	—	4
Corporate Auditors	45	45	—	—	5
Outside corporate auditors	11	11	—	—	3
Total	271	145	101	25	18
	37	37	—	—	7

- Notes:
1. Directors who also serve as employees do not receive a salary (including bonus) as an employee.
 2. As of the end of the fiscal year under review, there were nine directors (three of whom are outside directors) and four corporate auditors (two of whom are outside corporate auditors).
 3. Directors (excluding directors in non-executive positions) receive bonuses as performance-linked compensation and stock with transfer restrictions as non-monetary compensation.

Independent Outside Directors and Corporate Auditors

To further strengthen its corporate governance, since 2006, NESIC has sequentially nominated qualified independent directors and corporate auditors who do not have any conflicts of interest with general shareholders. NESIC has a total of five independent directors and corporate auditors, comprising three directors (out of nine directors) and two corporate auditors (out of four corporate auditors), who satisfy the requirements for independent directors and corporate auditors as defined by the Tokyo Stock Exchange.

The Independent outside directors and corporate auditors have diverse knowledge and experience in corporate management,

accounting, business management, sustainability, and corporate governance.

Independent outside directors provide advice and make decisions from a fair and objective standpoint as an outsider, while independent outside corporate auditors conduct audits of business execution by directors from a fair and objective standpoint as an outsider. Both independent outside directors and corporate auditors function adequately in providing highly effective supervision of the business execution side.

Name	Reason for nomination
Michiko Ashizawa	Ms. Michiko Ashizawa has an abundance of experience, including business experience as a certified public accountant at an audit firm and engaging in revitalization projects of major companies at Industrial Revitalization Corporation of Japan. She also possesses expertise in all aspects of business administration, mainly researching M&As for corporate restructuring and serving as an associate professor at a graduate school. NESIC believes she will play an appropriate role in matters such as giving advice and providing supervision related to managing NESIC, particularly from the perspectives of global strategy and growth strategy by drawing on her knowledge and experience, and therefore NESIC has appointed her as an outside director.
Mamoru Yoshida	Mr. Mamoru Yoshida has led various businesses, including overseas business, and served as technology officer and corporate auditor at a major electrical appliance manufacturer. In addition to excellent management skills and strategy building ability, he possesses extensive insight and experience particularly in technology management and corporate governance. NESIC believes he will play an appropriate role in matters such as giving advice and providing supervision related to managing NESIC, particularly from the perspectives of corporate strategy and governance by drawing on his knowledge and experience, and therefore NESIC has appointed him as an outside director.
Mikiko Morimoto	Ms. Mikiko Morimoto, after gaining experience at private companies such as a private thinktank in macroeconomic research and analysis, management of investment funds, and consulting in areas such as corporate and organizational sustainability promotion and ESG response, established a consulting company that provides comprehensive support for sustainability management, at which she serves as CEO. NESIC believes she will play an appropriate role in matters such as giving advice and providing supervision related to managing NESIC, particularly from the perspective of sustainability by drawing on her knowledge and experience, and therefore NESIC has appointed her as an outside director.
Akiko Isohata	Ms. Akiko Isohata has specialized knowledge of the Companies Act and corporate governance, and the like, and has a wealth of experience as a lawyer in the field of general corporate legal affairs. NESIC believes she will audit the legitimacy of its business operations from a fair and objective standpoint by making use of her knowledge and experience, and she has been appointed for these reasons.
Koji Inagaki	Mr. Koji Inagaki has been engaged in audit work for many years at an audit firm as a certified public accountant, has deep knowledge of finance and accounting, and in addition, has gained a wealth of experience in management, including overseas operations and promotion of innovation by using digital technology, as deputy CEO of an audit firm. NESIC believes he will be capable of auditing the legitimacy of its business operations from a fair and objective standpoint by making use of his knowledge and experience, and he has been appointed for these reasons.

Invigorating Discussions by Board of Directors / Support System for Independent Directors and Corporate Auditors

We recognize that it is important for all members of the Board of Directors, including outside directors, to make decisions based on NESIC's own management from the standpoint of protecting minority shareholders in a venue conducive to raising questions and having constructive discussions. We are therefore taking the following steps to strengthen systems that support active deliberation at meetings of the Board of Directors.

Before meetings of the Board of Directors are convened, NESIC distributes briefing materials to participants beforehand and holds pre-meeting briefings each month (lasting about three hours) for independent directors and corporate auditors with the aim of enhancing deliberations by the Board of Directors. At these briefings, participants receive explanations of the agenda items to be discussed at meetings of the Board of Directors and are updated on NESIC's current business execution. In addition, we hold off-site meetings to discuss important topics in depth. Furthermore,

opportunities are provided for information to be exchanged among only the independent directors and corporate auditors. Based on the content of these discussions, advice is then passed on to the representative director regarding the management of NESIC.

Moreover, all directors and corporate auditors are given opportunities to obtain the necessary information and knowledge to manage and to supervise management, as well as to understand NESIC's operations. Training sessions on the theme of governance at listed subsidiaries and site visits were held in the fiscal year ended March 31, 2024. We also ensure that independent directors and corporate auditors have adequate access to information on NESIC's history, business outline, financial information, business strategy, business environment, competitive situation, and internal organizations.

Evaluation of the Effectiveness of the Board of Directors

To improve the functions of the Board of Directors, since the fiscal year ended March 31, 2016, NESIC has evaluated and examined the effectiveness of the Board of Directors. The evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2024 consisted of a questionnaire given to all directors and corporate auditors, and individual interviews based on the results of the questionnaire. The questionnaire and individual interviews served to clarify the roles and primary functions of NESIC's Board of Directors and obtain opinions about the issues based on functions that should be emphasized and the status and effectiveness of implementation of improvement measures. Based on the outcome of this process, specific measures for improvement are discussed in pre-meeting briefings and meetings of the Board of Directors.

	Main issues identified in the effectiveness evaluation for the previous fiscal year	Main initiatives for improvement
FY2022/3	<ul style="list-style-type: none"> Formulation of an annual agenda and review of methods for managing agenda items Review of the role of the Board of Directors in the process of formulating the next medium-term management plan Discussion of issues to be addressed in the next medium-term management plan and long-term issues related to improving corporate value Enhancement of information provision and support systems to ensure appropriate supervision of business execution and decision-making 	<ul style="list-style-type: none"> Formulation of the NESIC Basic Policy on Corporate Governance, which clarifies NESIC's basic approach Formulation of an annual agenda based on the Board of Directors' roles and functions that require particular focus, as well as a review of the methods for managing agenda items and criteria for submitting matters to the Board of Directors Enhancement of deliberations by the Board of Directors and other bodies in preparation for the next medium-term management plan (review of the business environment, provision of interim reports, and deliberations at three stages from the concept development stage of the plan) Enhancement of information provision and support systems (multiple deliberations on important matters, improved pre-meeting briefings, improved documentation formats, holding of off-site meetings, etc.)
FY2023/3	<ul style="list-style-type: none"> Review of the annual agenda, methods for managing agenda items, and report formats and content Enhancement of deliberations by the Special Committee Enhancement of information provision and support systems for appropriate supervision of business execution and decision-making 	<ul style="list-style-type: none"> Fuller discussion on the progress of the medium-term management plan, as well as on the issues such as sustainability, carbon neutrality, and employee engagement, which have been set as non-financial indicators Consideration of measures to improve the effectiveness of the Special Committee Enhancement of information provision and support systems (multiple deliberations on important matters, fuller pre-meeting briefings, earlier provision of materials and improvements to formats, etc.)
FY2024/3	<ul style="list-style-type: none"> Review of corporate governance structure and skills matrix Implementation of topic-specific reporting and systematic deliberations on important themes in the annual agenda Reporting on the status of group governance activities at meetings Implementation of discussions on important themes at off-site meetings to enhance Board of Directors' discussions Enhancement of information provision and support systems for appropriate supervision of business execution and decision-making 	<ul style="list-style-type: none"> Redefine skills expected of directors and corporate auditors (revision of skills matrix) Implementation of reports on the status of company-wide investment and one of NESIC's key risks, group management risk Discussion of overseas business policies at off-site meetings Enhancement of information provision and support systems (multiple deliberations on important matters, fuller pre-meeting briefings, improvement of explanatory materials for orders received, earlier provision of materials and improvements to formats, etc.)

Based on the effectiveness evaluation for the fiscal year ended March 31, 2024, NESIC plans to take the following measures going forward.

- Continue discussions on the governance system (Board of Directors' roles and functions, composition of the Board of Directors, organizational design, internal control and internal audit systems, etc.)
- Enhance discussions on the next medium-term management plan, human resource strategies, sustainability, and other key topics from a company-wide viewpoint
- Deepen discussions at off-site meetings (held three to four times a year) on important topics such as the next medium-term management plan
- Redefine positioning of meeting of the Board of Directors, pre-meeting briefings, and off-site meetings to invigorate discussions
- Restructure the executive training system, hold dialogues between outside directors and officers and employees of NESIC, and hold business briefings for newly appointed outside directors and corporate auditors

Matters for Discussion at Meetings of the Board of Directors

The Board of Directors convenes once a month, in principle, to actively discuss a variety of matters for two to three hours in general (five to six hours if pre-meeting briefings are included). In addition to matters for resolution and reporting, matters for discussion are established in order to strengthen discussions on key matters concerning the business strategy and governance, and deliberations are carried out on matters such as the effectiveness of the Board of Directors. The Board of Directors is also working to change the content of deliberations by increasing opportunities for discussions aimed at NESIC's growth, including the change in the policy for determining the details of individual directors' compensation (introduction of non-financial indicators), actions to implement management that is conscious of the cost of capital, company-wide investment strategy, business portfolio analysis, and discussions on improving profitability in projects.

Key issues for the fiscal year ended March 31, 2024

- Reporting on the status of company-wide investments (matter for reporting)
- Business portfolio analysis (matter for reporting)
- Reporting on the status of business execution (including reporting on the progress of the medium-term management plan) (matter for reporting)
- Status of initiatives related to sustainability promotion (matter for reporting)
- Carbon neutrality initiatives (matter for reporting)
- Proposals for disclosing information based on the Task Force on Climate-related Financial Disclosures (TCFD) (matter for reporting)
- Evaluation of the effectiveness of the Board of Directors (matter for discussion)
- Reporting on the operational status of the internal control system (matter for reporting)
- Status of transactions with parent company (matter for reporting)
- Reporting of the shares held for strategic reasons (matter for reporting)
- Submission of Corporate Governance Report (matter for reporting)
- Reporting on the implementation of the Nomination and Compensation Committee (matter for reporting)

Shares Held for Strategic Reasons

NESIC does not hold shares of other listed companies for the purpose of strategic shareholdings in principle. However, we exceptionally hold shares of other companies as strategic shareholdings if we judge that it is necessary for business cooperation with other companies and business relationships with investees. In such cases, the Board of Directors annually examines the appropriateness of holding individual strategic shareholdings by examining whether the purpose of holding these strategic shareholdings is appropriate, and whether the benefits and risks of holding them are commensurate with the cost of capital. We consider the sale of these strategic shareholdings that are judged to be dilutive as a result of the verification and reduce the amount of the strategic shareholding. In the fiscal year ended March 31, 2024, the Board of Directors' meeting held in May 2023 received reports and debated the status of strategic shareholdings.

NESIC appropriately exercises voting rights for these strategic shareholdings after comprehensively determining whether the content of such proposals will contribute to the enhancement of the corporate value of the investee company and the NESIC Group over the medium to long term.

Strategic shareholdings (as of March 31, 2024)

Four listed companies	¥1,307 million
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Directors



Yushi Ushijima
Chairman of the Board,
Representative Director and
Chief Executive Officer (CEO)



Michitaka Ono
President, Representative
Director and Chief Operating
Officer (COO)



Osamu Kikuchi
Senior Vice President,
Member of the Board and
Chief Digital Officer (CDO)



Junji Ashida
Senior Vice President,
Member of the Board and
Chief Financial Officer (CFO)



Hiroto Sugahara
Member of the Board



Noriko Ito
Member of the Board



Michiko Ashizawa
Member of the Board
(Outside Director)



Mamoru Yoshida
Member of the Board
(Outside Director)



Mikiko Morimoto
Member of the Board
(Outside Director)

Corporate Auditors



Yohei Otani
Corporate Auditor (Full-Time)



Hiroshi Itami
Corporate Auditor (Full-Time)



Akiko Isohata
Corporate Auditor
(Outside Auditor)



Koji Inagaki
Corporate Auditor
(Outside Auditor)

Skills Matrix for Directors and Corporate Auditors

Name	Independence	Particular skill areas that NESIC expects of Directors and Corporate Auditors							
		Corporate Management	Technology	Sales and Marketing	Global	Finance, Accounting, and Investment	Environment and Carbon Neutrality	HRM (Human Resource Management)	Corporate Governance
Yushi Ushijima		●							●
Michitaka Ono		●	●	●			●		
Osamu Kikuchi			●	●	●				
Junji Ashida						●		●	●
Hiroto Sugahara			●			●			
Noriko Ito				●	●				
Michiko Ashizawa	◎				●	●			
Mamoru Yoshida	◎	●							●
Mikiko Morimoto	◎						●	●	
Yohei Otani									●
Hiroshi Itami						●			●
Akiko Isohata	◎								●
Koji Inagaki	◎					●			●

Note: These are the skills, experience, and expertise particularly expected of each Director and Corporate Auditor, and do not indicate all the skills, experience, and expertise possessed by each Director and Corporate Auditor.

Reasons for selecting the following skill areas as skills expected of Directors and Corporate Auditors

Skill items	Reasons for selection
Corporate Management	Expertise and experience in management reform are critical to formulating and implementing medium- to long-term management strategies to achieve NESIC's vision of Sustainable Symphonic Society by 2030 with a view to responding to changes in the business environment and strengthening the management foundation of NESIC, thereby achieving NESIC's sustainable growth.
Technology	Expertise and experience in NESIC's business areas are essential to advance existing businesses, drive their digital transformation, and strengthen NESIC's innovation capabilities for creating new value through promoting "DX × Beyond 5G (next-generation networks)".
Sales and Marketing	Expertise and experience in marketing, branding and sales strategies are crucial to strengthening relationships with customers as well as creating and enhancing customer value through self-implementation-based consulting services.
Global	Expertise and experience in overseas operations, global trends of markets and the latest technologies are essential to expand our business and create new solutions.
Finance, Accounting, and Investment	Expertise and experience in finance, accounting and investment are critical to developing a financial strategy that allows NESIC to build a solid financial base, growth investment for maximizing corporate value and strengthen shareholder returns.
Environment and Carbon Neutrality	Expertise in the environmental issues, including carbon neutrality, is necessary for NESIC to make all its businesses more climate resilient and to contribute to society.
HRM (Human Resource Management)	Expertise and experience in human resource strategies are required in order to offer greater growth opportunities to employees, enhance their engagement, and to create a culture where they can take initiative, while promoting inclusion and diversity as well as acquiring and developing talents.
Corporate Governance	Expert knowledge on latest corporate governance practices or experience or practical insight in implementing corporate governance reform is required in order to strengthen NESIC's corporate governance and ensure sustainable enhancement of its corporate value.

Consolidated Ten-Year Summary

	FY2015/3	FY2016/3	FY2017/3	FY2018/3
Performance Indicators (Millions of yen)				
Orders received	¥299,097	¥274,946	¥279,241	¥287,831
Net sales	292,164	279,961	257,912	267,939
Gross profit	48,110	45,162	42,585	44,265
Operating income	16,158	14,111	9,974	11,057
Operating income to net sales (%)	5.5	5.0	3.9	4.1
Net income attributable to owners of the parent	7,791	5,996	6,549	7,357
Financial Condition (Fiscal year-end) (Millions of yen)				
Total assets*2	¥201,904	¥196,505	¥197,386	¥207,643
Net assets	94,173	94,397	96,674	101,732
Owner's equity	92,559	92,738	94,611	99,473
Performance Indicators (Millions of yen)				
Cash flows from operating activities	¥ 2,460	¥ 9,435	¥22,634	¥ 4,779
Cash flows from investing activities	(3,929)	(2,822)	(2,697)	(2,802)
Free cash flows	(1,469)	6,613	19,936	1,976
Cash flows from financing activities	(4,127)	(1,402)	(4,144)	(4,366)
Cash and cash equivalents at end of year	38,951	43,889	59,648	57,281
Per-Share Indicators (Yen)*3				
EPS	¥ 52.24	¥ 40.27	¥ 43.98	¥ 49.41
BPS	621.54	622.75	635.34	668.01
Cash dividends	21.3	23.3	24.0	24.7
Key Indicators (%)				
ROE*4	8.7	6.5	7.0	7.6
ROA*5	8.3	7.1	5.1	5.4
Owner's equity ratio	45.8	47.2	47.9	47.8
DOE ratio	3.5	3.8	3.8	3.8
Payout ratio	40.8	57.9	54.6	49.9
Other (Fiscal year-end)				
Number of employees	7,260	7,464	7,572	7,657
Number of shares outstanding	49,773,807	49,773,807	49,773,807	49,773,807

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥151.41 = US\$1.00 as of March 31, 2024.

*2 Partial revisions to accounting standards for tax-benefit accounting (Corporate Accounting Standard No. 28, February 16, 2018) have been adopted from FY2019/3.

Accordingly, the figures for FY2015/3 to FY2018/3 have been retroactively adjusted to comply with this revision.

*3 On June 1, 2020, NESIC conducted a 3-for-1 stock split of its common shares. The figures for per-share indicators for fiscal years prior to FY2020/3 have been retroactively adjusted to reflect this stock split.

*4 ROE (Return on Equity): Net income attributable to owners of the parent ÷ Owner's equity during the term [Average of owner's equity at the beginning of the term and at the end of the term] x 100

*5 ROA (Return on Assets): Ordinary income ÷ Total assets during the term [Average of total assets at the beginning of the term and at the end of the term] x 100

FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3	
					(Thousands of U.S. dollars)*1	
¥284,739	¥304,978	¥336,877	¥336,759	¥356,043	¥377,234	\$2,491,473
277,949	303,616	339,109	310,334	320,802	359,505	2,374,380
47,681	54,374	63,929	63,473	66,545	71,228	470,431
12,774	16,245	25,563	23,181	22,751	25,120	165,907
4.6	5.4	7.5	7.5	7.1	7.0	—
8,885	9,422	15,745	15,021	13,813	15,329	101,241
					(Thousands of U.S. dollars)*1	
¥216,171	¥230,244	¥250,338	¥254,701	¥267,000	¥284,897	\$1,881,626
107,608	113,510	127,117	138,149	145,714	157,481	1,040,096
104,888	110,366	123,682	134,742	141,242	152,556	1,007,568
					(Thousands of U.S. dollars)*1	
¥ 8,396	¥12,935	¥17,383	¥22,674	¥ 2,816	¥20,228	\$133,597
(5,604)	(6,726)	(4,289)	(7,162)	(4,934)	(4,848)	(32,019)
2,791	6,208	13,093	15,511	(2,117)	15,379	101,571
(5,615)	(2,300)	(2,388)	(4,267)	(9,243)	(10,520)	(69,480)
54,354	58,321	68,426	79,732	68,549	73,507	485,483
					(U.S. dollars)*1	
¥ 59.67	¥ 63.28	¥105.73	¥100.85	¥ 92.74	¥ 102.91	\$0.67
704.40	741.12	830.47	904.66	948.23	1,024.09	6.76
26.0	27.3	35.0	43.0	46.0	49.0	0.32
8.7	8.8	13.5	11.6	10.0	10.4	—
6.1	7.1	10.6	9.3	8.8	8.9	—
48.5	47.9	49.4	52.9	52.9	53.5	—
3.8	3.8	4.5	5.0	5.0	5.0	—
43.6	43.2	33.1	42.6	49.6	47.6	—
7,743	7,818	7,537	7,675	7,825	7,774	—
49,773,807	49,773,807	149,321,421	149,321,421	149,321,421	149,321,421	—

Key Non-Financial Data (Non-Consolidated Basis)

	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3
Environmental Data					
Greenhouse gas emissions (t-CO ₂)					
Scope 1	929	1,048	1,089	1,053	986
Scope 2	7,527	7,014	7,232	4,969	1,945
Scope 1, 2	8,456	8,062	8,321	6,022	2,931
Scope 3	1,146,038	1,063,199	919,400	978,020	1,112,208
Total industrial waste emissions (t)	3,642	3,273	2,944	3,787	4,141
Industrial waste recycled (%)	93	95	89	84	92
Human Resources-Related Data					
Number of employees (As of fiscal year-end)					
Men	4,871	4,996	5,090	5,176	5,225
Women	4,083	4,157	4,214	4,266	4,283
Managers	788	839	876	910	942
Managerial positions held by women (%)	1,661	1,678	1,699	1,708	1,694
New graduate hires	4.2	4.5	5.2	5.9	7.0
Mid-career hires	109	131	143	159	191
Skill development training undertaken by employees (Hours)	80	96	96	90	59
Company-wide total (Hours)	—	164,540	200,966	217,965	178,827
Average per employee (Hours)	—	33	39	45	34
Number of employees who utilized childcare leave	44	49	74	83	67
Employees returning to work following childcare leave (%)	95.2	100	100	100	100
Paid leave taken (%)	72.0	60.0	60.0	65.0	66.0
Other Society-Related Data					
Social contribution expenditures (Millions of yen)	9.2	6.2	7.0	18.2	24.0
Governance-Related Data					
Internal reports (Cases)					
Sexual Harassment / Human Relations Hotline (Cases)	61	51	41	56	42
Corporate Ethics Hotline (Cases)	26	18	33	38	51

Supplemental Information for *Annual Report 2024*

The following supplemental information for *Annual Report 2024* is available on NESIC's corporate website.

Item	Web
Sustainability-Related Information (ESG Information)	The NESIC Group's Sustainability https://www.nesic.co.jp/english/sustainability/
	- Environment https://www.nesic.co.jp/english/sustainability/environment/
	- Social https://www.nesic.co.jp/english/sustainability/social/
	- Governance https://www.nesic.co.jp/english/sustainability/governance/
Investor Relations	https://www.nesic.co.jp/english/ir/
About Us	https://www.nesic.co.jp/english/corporate/

Stock Information

(As of March 31, 2024)

Number of Shareholders	12,281
Common Stock Authorized	300,000,000 shares
Issued	149,321,421 shares
Trading	Unit 100 shares

Major Shareholders (Top 10)

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
NEC Corporation	57,320	38.48
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account)	19,200	12.89
The Master Trust Bank of Japan, Ltd. (Trust account)	12,853	8.63
Custody Bank of Japan, Ltd. (Trust account)	5,829	3.91
Sumitomo Realty & Development Co., Ltd.	3,600	2.42
GOVERNMENT OF NORWAY	2,298	1.54
Employees' Stock Ownership Plan	1,784	1.20
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,733	1.16
STATE STREET BANK AND TRUST COMPANY 510312	1,628	1.09
JP MORGAN CHASE BANK 385632	1,268	0.85

Notes:

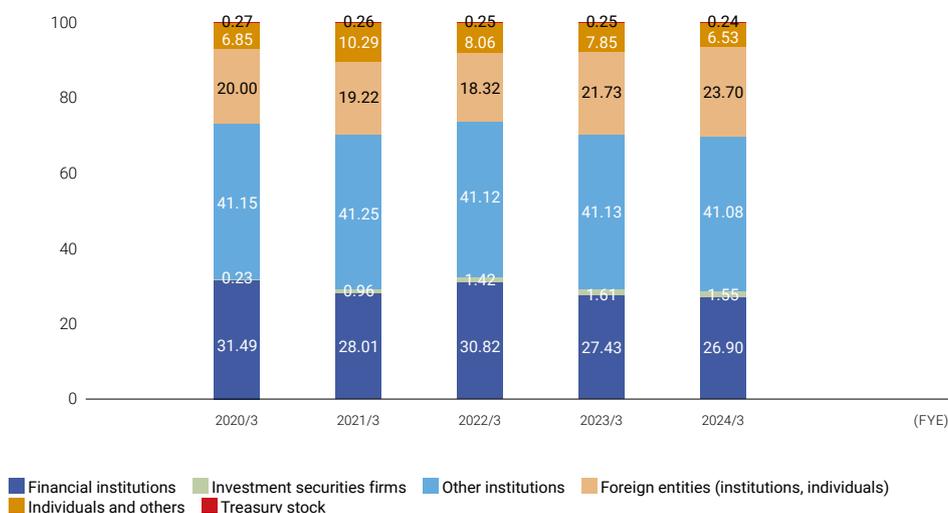
1 Shares held by Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account) give NEC Corporation material voting rights because NEC Corporation has contributed shares of NESIC to its retirement benefit trust. The percentage of material voting rights held by NEC Corporation as of March 31, 2024 was 51.40%.

2 The number of shares held is rounded down to the nearest thousand.

3 The percentage of total shares outstanding is calculated based on the number of shares excluding treasury stock (354,681 shares) and shares that are in the company's name in the shareholder registry but are not substantially owned (300 shares) and shown to two decimal places.

Breakdown of Shareholders by Type

(%)



Corporate Overview (As of March 31, 2024)

Name	NEC Networks & System Integration Corporation	Major Consolidated Subsidiaries
Head Office	3-9-14 Shibaura, Minato-ku, Tokyo 108-8515, Japan https://www.nesic.co.jp/english/	Japan
Established	December 1, 1953	<ul style="list-style-type: none"> ● NEC Magnus Communications, Ltd. ● NICHIIWA Co. ● NEC Net Innovation, Ltd. ● NESIC advanced aquaculture, Inc. ● NetsForest RAS Technologies, Inc. ● Q&A Corporation ● K&N System Integrations Corporation ● NEC Networks & System Integration Services, Ltd.
Registered as a Stock Company	November 26, 1953	Overseas
Capital	¥13,122,000,000	<ul style="list-style-type: none"> ● NESIC BRASIL S/A ● NESIC (Thailand) Ltd. ● NESIC PHILIPPINES, INC. ● Networks & System Integration Saudi Arabia Co. Ltd. ● ICT Star Group Myanmar Co., Ltd.
Number of Employees	5,225 (Non-consolidated), 7,774 (Consolidated)	
Fiscal Year	April 1–March 31	
Ordinary General Shareholders Meeting	Annual meeting held in June	
Listing	Tokyo Stock Exchange, First Section (Ticker Code: 1973)	
Accounting Auditor	KPMG AZSA LLC	
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan	

Outside Evaluations / Selection of Indices

				
JPX-Nikkei 400	FTSE4Good Index Series	FTSE Blossom Japan Index	MSCI Japan ESG Select Leaders Index*	MSCI Japan Empowering Women (WIN) Select Index*
				
SNAM Sustainability Index	iSTOXX MUTB Japan Platinum Career 150 Index	Certified Health and Productivity Management Outstanding Organization 2024	"Platinum Kurumin" certification mark	Highest-grade "Eruboshi" certification

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Editorial Postscript

Thank you for reading to the end of *Annual Report 2024*.

We have incorporated feedback from our shareholders, investors, and other stakeholders to make improvements to ensure that we provide high-value information that will help readers to better understand the NESIC Group.

Annual Report 2024 discloses the progress of our medium-term management plan Shift up 2024—an important step toward achieving our vision for society—and reports on the results of this plan. It also reports on non-financial initiatives such as our management of human capital and efforts to address climate change, which are important management issues for the growth of the Company.

Under our new management structure, we will continue to make changes while incorporating stakeholder dialogue into our management, as we work to achieve our vision for society. Your feedback is welcomed.

NEC Networks & System Integration Corporation

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