

Shift up

Elevating society



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.

Corporate Message

Re-designing your Communication

The NEC Networks & System Integration Corporation Group Statement and Corporate Message were crafted based on the NEC Way with discussions involving all employees.

Sustainable Symphonic Society

NEC Networks & System Integration Corporation (NESIC) is engaged in its medium-term management plan Shift up 2024, concluding in the fiscal year ending March 2025. We will form even stronger relationships with our customers and evolve our business model by continuing to advance our transformation while working toward the realization of digital transformation (DX) x Beyond 5G.

**In these ways,
we will continue to strive to
create new value for society.**



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Supplemental Information for Annual Report 2023

The following supplemental information for Annual Report 2023 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/index.html
About Us	https://www.nesic.co.jp/english/corporate/index.html

Editorial Policy

Since 2016, NESIC has been publishing its Annual Report in the format of an integrated report to provide readers with a wide range of information on its business activities, including the medium-term management plan and other business strategies aimed at creating social value and achieving medium- to long-term growth as well as its measures for realizing these strategies.

In Annual Report 2023, we show how we are continuing to create new value by working toward the realization of digital transformation (DX) × Beyond 5G. At the same time, we are forming even stronger relationships with our customers and evolving our business model to realize our vision of a "Sustainable Symphonic Society," as set out in the medium-term management plan Shift up 2024.

To enable all of our readers to gain a better understanding of the Group's activities, we at NESIC strive to provide highly valuable information by engaging in dialogue with investors and other stakeholders and constantly improving the content based on the feedback we receive as a result. We greatly appreciate your opinions and suggestions after reading this report.

Period Covered

April 1, 2022 to March 31, 2023 (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

November 2023

Contact

- Investor Relations
Responsible department: IR Group of the Corporate Finance & Controller Division
- Sustainability-Related Information
Responsible department: Corporate Strategy Planning Division

Disclaimer

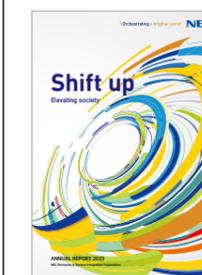
This report contains forecasts, outlooks, targets, plans, and other forward-looking statements concerning the business performance, financial condition, and other aspects of the management of the NEC Networks & System Integration Corporation Group. These forward-looking statements are based on information 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, 2023.

Regarding the Cover of Annual Report 2023

Based on the medium-term management plan Shift up 2024, NESIC aims to realize a sustainable society with prosperity that resonates for all, in other words, a "Sustainable Symphonic Society," together with customers.

The cover page design reflects the concept of establishing and deepening "creation in harmony" relationships with customers and society, shifting from individual co-creation to the generation of unique value through mutual resonance.



Our Connection to Daily Life

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

1 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

2 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

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

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 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 Industry
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

5 Mobile Communications Network
Overall network support indispensable for daily communication via smartphone and flip phone, from installation of mobile base stations to system integration of core networks

6 Firefighting & Ambulance
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

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 plants, 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



Yushi Ushijima

President and Chief Executive Officer (CEO)

We will transform signs of change into our true strength and create a solid spiral-shaped path to growth.

■ Destruction, Reconstitution, and New Establishment

Thoughts on My Appointment

When I was appointed President in 2017, what I wanted to change most was our conventional awareness of growth—aiming higher, with past and current NESIC as our standard. This awareness was born from the impact of NESIC's history as a company that is began as being responsible for part of the NEC Group's functions their system construction business. However, to become a strong and attractive company, we must not be satisfied with merely going beyond the NESIC of today but fight for the position NESIC should take within the industry in the future. This is fully possible if we utilize our distinctive management resources. With such conviction, I have chosen reconstitution—the creation of a new NESIC—as a major theme.

In the first stage of this target, under the previous medium-term management plan Beyond Borders 2021, we began by destroying and going beyond the barrier of preconceived notions about markets, technology, organization, performance, and other factors. To achieve this, we tried to change everything except our value of “contributing to the betterment of society through communications technology,” which has been passed down since NESIC's foundation. In anticipation of the borderless digital and 5G era, which



eliminates such barriers as nationality and type of industry, we have significantly transformed our organization, resource allocation, and business model by establishing a platform for providing new services. Although slow, awareness within NESIC has begun to change over the three years of this plan, and has been reflected in our performance.

Vision for Society— Sustainable Symphonic Society

We have adopted “Sustainable Symphonic Society,” the realization of a sustainable society with prosperity that resonates for all, as our vision for society in 2030. We will contribute to society through NESIC’s distinctive features, new digital transformation (DX) technologies, and the communication technologies that have been our mainstay since our foundation, to resolve various social issues, including a declining and aging population and its accompanying effect on workforces and rural areas, and environmental problems. During the three years of the previous medium-term management plan, utilization of digital technologies advanced suddenly with the impact of the COVID-19 pandemic, digital literacy in society improved, next-generation networks including 5G progressed significantly, and the

potential to resolve social issues through technology greatly expanded. NESIC’s vision is to become a communication services orchestrator. As such, we hope to enhance the added value of services we provide, shift the relationship with our customers and society from individual co-creation to mutual resonance through co-creation, and stemming from this resonance deepen our “creation in harmony” relationships that realizes the resolution of new and complex issues and unique value creation.

Second Stage: Shift up 2024

To realize this vision, we must not simply continue on from previous initiatives, but switch to a higher gear and strongly advance the application and expansion phases for the diverse digital and 5G knowledge and expertise that we have accumulated through trial and error to date. With this in mind, we decided to name the current medium-term management plan Shift up 2024.

The continuous advancement of our business model is of paramount importance to this plan. In the previous medium-term management plan, we integrated the Symphonict brand under our DX strategy. At the core of this strategy, we launched our own multi-cloud platform and developed a system for quickly introducing and creating new

digital and 5G-related technology and services, such as those from startup companies in the United States. Furthermore, we formulated a co-creation and self-implementation business model that attempts to resolve issues through application rooted in the front lines together with customers to ensure that these technologies are easy to use.

During the current plan, we will evolve this into a spiral-type business model that generates growth through a cycle in which we incorporate consultation into the business model, apply and operate with customers, and suggest the next issue we have recognized via this process before it arises.

Our self-implementation and site-specific consultations are carried out from the same standpoint as the customer, significantly differing from other consulting companies. We aim to leverage this strength to establish recurring “creation in harmony” relationships as strategic long-term partner for our customers.

Progress of Shift up 2024

Progress in the First Year

The first year of the medium-term management plan, the fiscal year ended March 31, 2023, faced major issues, where net sales and income were below targets set at the beginning of the fiscal year. This was mainly because of increases in the lead time to point of sale due to impact of continued semiconductor and component shortages, and steep procurement costs for overseas products due to the sharp depreciation of the yen. On reflection, our response was insufficient. We were unable to increase the speed of growth, because of the time it took to deal with these issues, resulting in an inability to absorb cost increases in advance as the primary factor. In particular, in terms of profitability, the gross profit margin has remained almost flat since the fiscal year ended March 31, 2022, which I believe is an urgent issue.

Meanwhile, we also saw results related to top-line expansion, such as orders received exceeding the previous record. This is partly because we have steadily captured the continued strong demand for DX, mainly general

corporations and public offices, but also due to an increase in customers with whom we can create relationships as a recurring strategic partner. In actuality, we were able to increase the number of major regular customers who conduct large transactions annually by 5% compared with the previous fiscal year. In other words, while I understand that the spiral-type growth model that is the aim of the current medium-term management plan has not yet led to the enhanced profitability that this model targets, as the first step, the spiral has steadily begun to turn and this has started to appear in the figures.

Initiatives for Establishment of Offering-Type Model

In the fiscal year ended March 31, 2023, we focused on developing an offering-type model within our spiral-type growth model. NESIC is not a company that develops systems from scratch. We are quick to identify outstanding new services, develop them into easy-to-use services through knowledge gained during self-implementation, and provide them to customers. The sense of speed is an asset based on co-creation and self-implementation and is accelerated by the offering-type model. Taking the knowledge of customer issues and operational processes gained from NESIC’s wide-ranging customer base as a starting point, combining it with unique expertise based on self-implementation such as in areas including workstyle innovation, and packaging it as an optimal DX service that cover areas from proposing concepts to their application and operation, we will be able to quickly provide high-value-added services to even more customers and further commit to the path of our spiral-type growth model.

This offering-type model is designed with an awareness of themes that are based on contributing to solving social issues from a customer issue-driven perspective. We have already developed themes such as reforms to business structure through measures including workstyle innovation and business process outsourcing (BPO), next-generation disaster countermeasures, the Digital Garden City Nation concept, and the creation of an energy system aimed at carbon neutrality. These are areas that leverage NESIC’s

accumulated knowledge and expertise and will contribute to the achievement of three materiality issues by 2030: 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. We strive not only for business growth from an economic standpoint but also with a sharp focus on a Sustainable Symphonic Society, our vision for society beyond that.

Toward the Achievement of the Medium-Term Management Plan

I have positioned the fiscal year ending March 31, 2024 as important to make up for delays in the first year regarding the achievement of targets from our medium-term management plan. The key to achieving this is increasing the implementation speed of our offering-type model, which has progressed in development, for customers. In April 2023, the Business Design Operations Unit, which was launched as a new service-creation function under the previous medium-term management plan, was integrated into each business unit, with a focus on the DX Solutions Business Unit. By transferring awareness and resources away from service development and toward further market expansion, we will accelerate the rotation of our spiral-shaped model, which has just begun to turn, and increase the value provided by the second or third rotation.

Regarding next-generation networks, the infrastructure side supporting growth strategies, capital investment by telecommunications carriers has been more restrained than expected. The realization of a local 5G market is said to be lagging almost two years behind initial estimates due to factors including delays in the popularization of 5G terminals. However, we are, without a doubt, currently realizing various utilization methods. We are unwavering in our approach to preparing for the largest market segments in the future, such as reinforcing initiatives in infrastructure areas that require robustness, and are expected to be at the forefront of these markets through various demonstrations. Delays in the next-generation network domain are expected to be covered by active areas of social

infrastructure, such as a submarine communications network for the increasing volume of international communications, and space and radio wave projects in line with themes including civil utilization and national security.

While the external environment, such as the international situation, is certainly not in a positive state, we have passed the peak of issues such as shortages in semiconductors and components and sudden exchange rate fluctuations that impacted performance in the fiscal year ended March 31, 2023. New focus markets, such as community development and offshore wind power, are areas that will expand in the future, and the number of backlogged orders has significantly increased as a result of longer sales lead times. We will utilize our results to date and enter the final year of Shift up 2024 in an accelerated state.

Human Resource Strategies

As stated in last year's annual report, we have deeply ingrained the stance of meeting customers' needs and exceeding their expectations, which stems from our long history in infrastructure development. It is vital that we change our attitude to one that anticipates and understands social and customer issues, proactively making proposals for solutions, which is the key to ensuring the spiral-type growth model is truly functional. To date, employees have been very responsive to changes as we tear down and overcome various barriers, and I hope they will "shift up" their learning and experience related to knowledge and technical skills to a higher level and further build the strength to remain steadfast.

A shared awareness of our vision for the future is crucial to this goal. To realize a Sustainable Symphonic Society in 2030 and become a communication services orchestrator, we are advancing dialogues to ensure that each person understands what must be done. Under the current medium-term management plan, we have adopted human resource development targets which are the key to rotating the spiral, but it is important that we do not impose these targets on employees. Instead, we must integrate them with motivation and a positive attitude with a smile



on their faces. As we entered fiscal year ending March 31, 2024, I reinforced the creation of opportunities to visit each site, hold direct talks with each employee, and eliminate doubt with regard to aims and careers. As our business is based in communication, so should all our measures, not just human resource strategies. By further utilizing DX, we can see the correlation between factors such as engagement and productivity. We must review everyday operations and advance labor-saving measures to ensure employees do not endure an unnecessary burden and that we become a lean and durable company. We will move forward, transforming dialogues and mutual understanding across organizations and positions into the driving force for change.

In Closing

We are working to shape the various innovations to date into a new NESIC. The in-house key phrase I chose for this year is "Be Stronger." Our business has been steadily changed through destruction and reconstitution. Now, with other system integrators in our sights, we recognize ourselves in a position to face them head-on as a competitor. We will continue moving forward,

expanding our awareness outward, enhancing the individual skills of each employee to be capable of even higher-quality engagement while thoroughly focusing on areas where we can leverage our strengths and develop our businesses. I hope that all our stakeholders will continue to aid us in creating an even stronger foundation through multilateral dialogues that go beyond the status of strategies and progress to date, getting to the core of our culture and approach. I would like to ask for our continued support going forward.

Yushu Ushijima

President and Chief Executive Officer (CEO)

Outside Director Dialogue

Outside directors Michiko Ashizawa and Mamoru Yoshida reflected on the first year of the medium-term management plan Shift up 2024 and candidly shared opinions with a focus on issues faced by NESIC.



Michiko Ashizawa

Outside Director

October 1996: Joined International Department, Century Audit Corporation (currently KPMG AZSA LLC)
* Resigned in May 2001

September 2003: Joined Industrial Revitalization Corporation of Japan
* Resigned in January 2006

February 2006: Joined Advantage Partners LLP (currently Advantage Partners, Inc.)
* Resigned in January 2007

April 2013: 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)
Outside director of the Company (present position)

June 2018: Associate professor in Graduate School of Business Administration, Keio Business School, at Keio University (present position)

Mamoru Yoshida

Outside Director

April 2009: Officer, Panasonic Corporation vice president, Panasonic AVC Networks Company, in charge of Consumer Business

April 2012: Director, managing executive officer, Panasonic Corporation President, Panasonic AVC Networks Company

April 2013: Director, managing executive officer, chief technology officer (CTO), Panasonic Corporation

April 2015: Director, managing executive officer, Panasonic Corporation senior vice president, Appliances Company; president, Air-con Company, in charge of TV Business

June 2015: Managing executive officer, Panasonic Corporation senior vice president, Appliances Company; president, Air-con Company, in charge of TV Business

June 2016: Senior audit & supervisory board member, Panasonic Corporation (resigned in June 2020)

June 2020: Outside director of the Company (present position)

Evaluation of the First Year of Shift up 2024

Ashizawa: Leadership was put to the test amid a harsh external environment that has included global component shortages, a depreciating yen, and various cost increases. Within the Company as well, numerous issues have also emerged on the theme of effectiveness, such as the permeation of a spiral-type growth model, development of consulting personnel, and balance of new and existing businesses. To put it another way, I feel that it was a year that brought light to essential topics we need to focus on to become even stronger for future growth.

Yoshida: I feel exactly the same way. We saw significant results from initiatives under the previous medium-term management plan accompanying the environmental changes resulting from COVID-19. The current medium-term management plan sets out ambitious targets in line with this trend, and as society as a whole moves on to the next phase, I believe that our internal issues are becoming apparent. This was a period where we could reconsider and clarify issues, such as whether we can balance management of existing customers and new customers, whether we are truly creating value provided to customers, and what we are aiming for with consulting personnel.

Ashizawa: Currently, NESIC is challenging itself daily to be able to propose a path to value creation for customers based on data accumulated through DX. While the kind of value we create is important, it is difficult to suddenly change conventional methods. Therefore, self-implementation, which we have excelled at to date, has become vital. NESIC also has an ingrained culture, has making further digitalization and value creation no simple feat. By trying it out ourselves, we can make good proposals that bring us closer to customers. Both the front lines and management are searching for solutions, but we have yet to see a winning formula. It is necessary to coordinate effectively within the organization. However, the speed at

which we operate remains a major issue, since global trends move quickly.

Yoshida: When considering our vision for 2030, I feel that we have not done enough to formulate a road map and clarify issues to address to achieve it.

While NESIC has been able to improve operational efficiency through DX solutions, I think that our customers also worry about what kind of vision they should aim for and what kind of outcomes they are aiming to achieve beyond that point. I hope that we can work with our customers to develop and propose a road map for the future, leading to solutions through co-creation and implementation.

Ashizawa: Enhancing our ability to formulate a road map is difficult. What kind of approaches have you considered?

Yoshida: First, it is important to set ambitious goals. To realize this, it is vital that we move forward and significantly change our perspective. We must approach this from two angles: the front lines improving their daily activities and top management pushing for significant reforms of Groupwide issues. For this reason, we need to separate problems that are extensions of existing ones and the essential road map from a medium- to long-term perspective. The reason for this is that NESIC's challenge is developing a road map from a reformative viewpoint.

Ashizawa: I am making efforts to have discussions with the younger generation of employees. They have only been in the workforce for a short amount of time and see various issues from an unconventional perspective. I also understand their motivation to grow personally and contribute to society. Since they also have high digital literacy, I think there is room to devise ways to improve the organizational structure, such as creating a forum for discussion with less hierarchy. The ideal form of management is absorbing the opinions of various generations when making reforms to improve corporate value and making reforms.



I hope in freely sharing my experiences to be part of NESIC's transformation and of its greater strength.





I will strongly support management through candid and open discussions founded on a diversity of thought.

Yoshida: Young people are used to digital technology and generate ideas flexibly. Since the analog generation also has value in experience, it is good to integrate the best approaches and methods from each side and utilize them in the formulation of an essential road map. However, it is difficult for the front lines to deny current circumstances, implement, and communicate the development of a road map in a reformative manner themselves, so that is the role of top management, led by President Ushijima. To date, they have been communicating with an awareness of this issue and have been striving to address it, but there is an expectation for even stronger leadership.

Ashizawa: In terms of difficulty, there are differences in business characteristics. The DX Solutions Business Unit and the former Business Design Operations Unit are organizations that focus on rapidly evolving technology, so the technology handled and organization itself must be highly flexible. Many of the customers for the Environmental & Social Solutions Business Unit and Network Solutions Business Unit are national and local governments and social infrastructure providers, and are required to provide highly reliable and durable networks. The difficulty of balancing the business characteristics of each unit with culture and management is significant. Since synergy between businesses is NESIC's biggest strength, it is necessary to thoroughly discuss our core strength of generating this synergy and what value it provides.

Yoshida: The next step is the need to develop personnel and foster a corporate culture where they can play an active role globally as a target to increase NESIC's strength. For example, NESIC dispatches personnel to Silicon Valley, where there is a culture in which disruptive innovation is generated by repeated efforts, even if

results end in failure. By learning about the front lines these personnel gain new wind, change perspective on what should be done in-house and in collaboration, and create a different image of what they are working on.

Ashizawa: I was also in Silicon Valley for a while and hope that such sense of speed and culture of taking on challenges is adopted. NESIC's employee dispatch program in Silicon Valley is conducted over a stay of only a few months so the timing of their return to Japan is unfortunate. We hold follow-up discussions to ensure that the flame of motivation does not go out.

Yoshida: The method of connecting people and companies has become very American. Although it is a temporary negative that people sometimes leave their jobs because they want to do something else, I believe that increased liquidity of the labor force will become natural in Japanese society going forward. You are active as an expert as a result of a wide range of careers and experiences. In the same way, it is possible to collaborate with various people in who have left their companies and are in similar circumstances, which is a positive aspect. NESIC has a highly effective system in which employees who leave are welcome to return.

Sustainability Management Unique to NESIC

Ashizawa: There has been a sudden recent advancement in disclosure requirements regarding the TCFD and non-financial information due to revisions to the Corporate Governance Code. NESIC is also holding various discussions centered on its Sustainability Management Committee and the executive officers in charge.

In the past year, the Nomination and Compensation Committee has discussed introducing non-financial targets and achievement levels in the designs for director remuneration. This has resulted in a model where non-financial targets adopted in the medium-term management plan are partially linked with compensation. However, establishing evaluation methods and KPIs has been extremely difficult. Human capital metrics such as engagement scores and diversity are truly at the core of corporate strategies. For this to lead to value creation, a paradigm shift in management is vital. I believe that the foundation of a strong company is to recognize gaps by first setting target figures and by establishing discussions on what NESIC should fundamentally be, so that each employee can continue to consider what We are aiming for and what kind of value to create, even without the figures.

Yoshida: In addition to introducing a non-financial perspective to this remuneration system, there is also value to discussions about setting KPIs. As an example of one of these points, I feel it is important to establish target figures for the promotion of female managers, but moreover, to discuss how to train the appropriate person and the process. We should set targets after focusing efforts on the form that personnel training takes, rather than based on figures.

Ashizawa: That's a topic we always discuss passionately. While I have no experience as a manager, from my perspective of business administration research, I believe it is important to first set targets and choose a method for invigorating discussions and making advancements.

Yoshida: As you have said, these discussions always run parallel. Each company addresses sustainability-related requirements from society but I worry that, if we do not thoroughly look into the aims of these non-financial indicators and sustainability, they will only be implemented for the sake of implementation.

Ashizawa: It is whether taking a further step forward will lead to substantial value creation. Certainly, there is still an issue with how to understand and evaluate essential sustainability that increases NESIC's value. President Ushijima also commented that, while it may be possible to increase numbers in the short term by compromising and getting closer to the front-line staff, this cannot really be called a strength of NESIC from a medium- to long-term perspective. As outside directors, we hope to continue candidly sharing opinions at Board of Directors'

meetings, recognizing that this is an area where we must push forward without easing up or compromising. Sustainability is the specialist area of newly appointed outside director Mikiko Morimoto, so I expect it to take shape within NESIC.

Advancement of Governance for "Shift up"

Yoshida: By evaluating the effectiveness of governance, the system functions as a mechanism to visualize issues and steadily implement measures, advancing improvements. I hope that this trend continues. Further governance reforms are vital for reinforcing corporate value creation and the foundation of sustainable management. As the chair of the new Special Committee established in 2021, I am in charge of understanding coordination with the parent company and profitability of the business and ensuring there is no harm to profits from a minority shareholder perspective. Furthermore, while the committee has clarified the standards for submitting items about projects to be discussed with the parent company and a flow that can be confirmed at committee meetings, we have also raised issues, such as whether there are any areas in which we can collaborate with the parent company. As both companies endeavor to evolve, I hope that cooperation over the medium to long term will lead to significant mutual growth and profit and produce results that lead to value for minority shareholders.

Ashizawa: That was quite a lively discussion. In terms of governance, we have deliberated the necessity of monitoring the global governance of overseas subsidiaries. I have always believed that governance should not be overly defensive, but support a speedy offense while taking necessary risks. As a result, it is vital to have a system that enables thorough management of these risks.

Yoshida: Such a system reinforces governance as necessary to "Shift up" NESIC. Based on such points, we will give advice through continued discussions and investigations at board meetings.

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 the 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 the supply chain 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 promoting business growth by ensuring rapid decision-making Enhance social reputation by strengthening our response to diversifying social needs Secure exceptionally talented personnel and reduce employee turnover by actively engaging in human capital management and disclosing such 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



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.



Materiality Matrix

The matrix chart below classifies and systemizes the relationship between our business, ESG, and the SDGs with respect to the six materiality issues.

NESIC has been working to resolve a number of social issues through its core businesses, such as building safe and secure social infrastructure, providing workstyle innovation solutions, promoting the global use of ICT, and creating partnerships through communications.

In an effort to further our contributions to society through our core businesses, we have numbered the 169 targets of the SDGs in relation to our materiality, visualizing their relationship with our core business strategies and initiatives and the basic strategies of the medium-term management plan.

Notes:

- This table has been prepared under the guidance of Mr. Hidemitsu Sasaya, an ESG/SDGs consultant and a 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.

*1 We are bringing forward and revising targets for reducing Scope 1 and 2 CO₂ emissions to further accelerate our contribution to climate issues and fulfill our responsibility as a company. The rate of reduction in the fiscal year ended March 31, 2023 is based on calculations from before implementing third-party verification. These are subject to change following the results of verification.

*2 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.

Materiality	Concrete Image of Materiality Issues Being Realized	ESG	SDGs targets that are strongly interlinked with NESIC's materiality issues						Medium-term management plan ("22-'24)				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 FY2023/3		
			7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation, infrastructure	11 Sustainable cities and communities	13 Climate action	17 Partnerships for the goals	Basic Strategy 1		Basic Strategy 2					Basic Strategy 3	
									Accelerating Original Value Creation	Advancing Solution Capabilities	Transform All Businesses to Ensure They Address Climate Change	Evolve into DX-Native Company					
Initiatives to Provide Value to Society	Create work environments in which everyone can take initiative	E / S	8.1	9.5		13.1	17.16							• Expand businesses under themes including workstyle DX, data analysis and utilization, and digital twins**	Net sales ¥50 billion (total of A, B, and C)	¥24.9 billion (total of A, B, and C)	
			8.2				17.17								• External sales and monetization of DX human resource development function (College Concept)		Hold local 5G implementation training through co-creation with Mobile Computing Promotion Consortium
			8.3												• Accelerate original value creation through Symphonict		→ P34
	Develop pleasant and plentiful communities with cutting-edge technologies	E / S	8.1	9.1	11.2	13.1	17.16							• Expand businesses under the theme of local government DX**	Net sales ¥50 billion (total of A, B, and C)	¥24.9 billion (total of A, B, and C)	
			8.2		11.3		17.17								• Promote community development business	Net sales ¥20 billion	¥5.0 billion
			8.3		11.7										• Accelerate original value creation through Symphonict		→ P34
			8.4												• Expand businesses related to telecommunications carriers**	Net sales ¥62 billion (total of telecommunications carrier-related businesses, including D and E)	Reference: ¥79.2 billion (total from telecommunications carrier-related businesses and social infrastructure businesses)
			8.5												• Increase sales from social infrastructure business**	Net sales ¥35 billion (total of social infrastructure businesses, including F and G)	Reference: ¥79.2 billion (total from telecommunications carrier-related businesses and social infrastructure businesses)
			8.6												• Expand solutions businesses utilizing satellite images and AI)		
Provide robust services that underpin safety and security in evolving society	E / S	7.2	8.1	9.1	11.2	13.1	17.2						• Expand businesses under theme of next-generation network security**	Net sales ¥50 billion (total of A, B, and C)	¥24.9 billion (total of A, B, and C)		
		7.3	8.4	9.4	11.3	13.2	17.7						• Expand businesses related to telecommunications carriers**	Net sales ¥62 billion (total of telecommunications carrier-related businesses, including D and E)	Reference: ¥79.2 billion (total from telecommunications carrier-related businesses and social infrastructure businesses)		
		7.a		11.5		17.16								• Increase sales from social infrastructure business**	Net sales ¥35 billion (total of social infrastructure businesses, including F and G)	Reference: ¥79.2 billion (total from telecommunications carrier-related businesses and social infrastructure businesses)	
		7.b		11.7		17.17								• Increase sales by strengthening measures toward the realization of a decarbonized society	Net sales ¥20 billion	¥3.0 billion	
				11.b										• Expand energy businesses through co-creation		→ P35	
														• Launch and expand onshore fish farming business	Net sales ¥30 billion (FY2030/3: includes franchises)	Begin construction of Fuji-Katsuragawa Factory in December 2022	
														• Reduce CO ₂ emissions from business activities (Scope 1, 2)	Reduce CO ₂ emissions by 40% in FY2023/3 over FY2020/3, reduce by 89% in FY2025/3 over FY2020/3, and realize net zero** emissions by FY2031/3	24% reduction (compared to FY2020/3)	
														• Set targets for supply chain CO ₂ emissions (Scope 3) up to fiscal year ending March 31, 2024			
Initiatives for Growth at NESIC	Sound and highly transparent management	G	8.5			13.1	17.16						• Increase ratio of directors who are women	30% (FY2031/3)	22.2%		
			8.8			13.3	17.17							• Expand shareholder returns based on stable dividends	Maintain dividend on equity (DOE) of 5.0%	5.0% (16th consecutive year of increasing dividends)	
															• Conduct investor relations (IR) activities focusing on individual business field		Implementation in May and June 2022
	Strengthen innovation capabilities to create new value	S	8.2	9.5			17.16							• Training of highly skilled professionals and human resource investment	190 consulting personnel, 1,190 advanced DX professionals, 1,580 Beyond 5G professionals**	39 consulting personnel, 444 advanced DX professionals, 1,216 Beyond 5G professionals	
							17.17							• Conduct business investments (¥17 billion; on a cost basis) and M&As and other growth investments (¥38 billion; on a cash basis)		Implement capital and business alliances in the local 5G and energy domains	
														• IT investment (¥8 billion; on a cost basis) (including cost of relocating headquarters)		Implement relocation of NESIC headquarters	
Create a culture where employees can take initiative	S	8.2	9.5		13.3								• 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.)	32%		
		8.5											• Increase ratio of women in management positions	10% (FY2027/3)	5.9%		
		8.8											• Increase ratio of paid leave taken	100% (FY2027/3)	65%		

2030 Initiatives for Providing Value to Society



Vision for Society
An inclusive and sustainable society
created through communications

2030 Initiatives for
Providing Value to Society

To realize a sustainable society created through communications, which is our long-term vision for society, we have adopted three initiatives for providing value to society through communications for 2030.

Create work environments in which everyone can take initiative

Launch of Sansan, a Sales DX Service for Local Governments, in Collaboration with Sansan, Inc.

NESIC has launched "Sansan Secure Access Service for LGWAN," an LGWAN-ASP service for local governments in collaboration with Sansan, Inc.

There is increasing demand for telework and DX promotion, not only among companies but local public bodies, capable of handling diverse workstyles and BCP countermeasures during emergencies. However, local governments operate through the Local Government Wide Area Network (LGWAN), a closed network, making it difficult to telework or introduce tools that use public cloud services. LGWAN-ASP contributes to resolving such issues by enabling the secure provision of cloud services in an LGWAN environment.

This service enables users to create their own databases, such as personal network information within local governments, by combining more than one million data points from company information provided standard and information compiled from business cards and emails. Accordingly, it supports the promotion of DX, enhancement of labor productivity, and the realization of flexible workstyles.

We will use the provision of this service as a chance to promote the reform of local government operations and enhancement of productivity, by expanding cloud services and other features to shift to a paperless system and leveraging the knowledge and expertise of workstyle innovation accumulated to date.

Going forward, both companies will evolve the workstyles of various customers and contribute to emerging innovation through the provision of DX services, including Sansan.

Excerpt from press release (issued on February 7, 2023)

Initiatives to Realize this Materiality
(number of new releases)

8
for provision of
new services

2
for experiments

July 2022 to June 2023

Develop pleasant and plentiful communities with cutting-edge technologies

Implementation of DX Promotion through Japan's First Hybrid 5G Network that Utilizes Infra-Sharing

Tokushima Prefecture and six companies—CATV TOKUSHIMA, Inc., NEC Corporation, NEC Networks & System Integration Corporation (NESIC), NTT DOCOMO, INC. Shikoku Branch, NTT Communications Corporation, and JTOWER Inc.—are promoting DX in Tokushima Prefecture by created the first domestic hybrid 5G network environment through infra-sharing that combines local 5G provided by CATV TOKUSHIMA and the NEC Group with DOCOMO's carrier 5G by utilizing 5G sharing equipment provided by JTOWER.

Through these new initiatives, a hybrid 5G network has been created that achieves unprecedented and innovative measures by combining the strengths of local 5G—its stability and high level of security—with the broad coverage and versatility of carrier 5G. As a result, enhanced quality of pharmaceuticals, such as in emergency medicine, and stabilized health care and disaster support measures in emergencies are made possible.

CATV TOKUSHIMA, NEC, and NESIC comprehensively support local 5G promoted by the Tokushima Prefectural Government from license renewal to system design and creation. This project will provide local 5G services by utilizing infra-sharing to realize a hybrid 5G network.

Through this initiative, we aim to build a pioneering model case for a hybrid 5G network environment that utilizes both local and carrier 5G.

Excerpt from press release (issued on September 8, 2022)

Initiatives to Realize this Materiality
(number of new releases)

4
for provision of
new services

9
for experiments

July 2022 to June 2023

Provide robust services that underpin safety and security in evolving society

Launch of OWLai as an AI Imaging Service Brand

NESIC has launched OWLai as a new AI imaging service brand in the image utilization business domain.

■ Background of Launch

Due to the popularization and advancement of cameras, we can collect a higher number of clearer, higher-quality images than ever before. As a result, there is increasing demand for advanced utilization of image data in crime-prevention measures, disaster countermeasures, marketing, and various other applications. Amid this increase in demand, a new system is required that does not solely rely on checking and processing by humans but enables more efficient utilization of imaging data by a limited number of people.

NESIC launched the AI imaging service brand OWLai, based on the concept of transcending simple video recording to create value for the future. We will develop services for detection of anomalies and visualization of congestion, and provide customers with optimum value by combining abundant experience and credible front-line capability

accrued over 60 years in the field of imaging with the latest AI imaging technology.

The launch of this brand provides opportunity to reinforce initiatives for implementing co-creation with customers in the AI imaging service business and expand our service lineup. We will also continue addressing corporate management issues and contributing to the realization of a safe and secure society.

Excerpt from press release (issued on July 14, 2022)

Initiatives to Realize this Materiality
(number of new releases)

8
for provision of
new services

3
for experiments

July 2022 to June 2023

Initiatives for Growth at NESIC



As we continue to grow as a company that provides value to society, we must further reinforce our management foundation. To achieve this, we have selected three initiatives for growth at NESIC based on the approach that communication, such as co-creation and dialogue, is vital.

Strengthen innovation capabilities to create new value →P58

Main Risks When Selecting Materiality Issues

- Loss of relationships with co-creation partners due to lack of importance placed on sustainability

Main Opportunities When Selecting Materiality Issues

- Increasing number of business partners seeking to collectively realize a sustainable society
- Expand opportunities for new business development by speeding up innovation

Promote a culture that encourages change and embrace of new challenges

- Implementation of compliance awareness surveys and training
- Implementation of NESIC AWS GameDay, a game-style practical training program contest for NESIC employees

Accelerate co-creation and the use of various services in our own business practices to better understand customers' point of view

- Accelerated implementation of sustainability management following the relocation of NESIC headquarters (→P37)
- Implementation of "Fusion," an open innovation program for recruiting companies that work with our business research team to verify the feasibility of commercialization by utilizing NESIC's assets



Sound and highly transparent management →P66

Main Risks When Selecting Materiality Issues

- Dysfunctional governance and internal control systems
- Loss of trust due to compliance violations and unfaithful management

Main Opportunities When Selecting Materiality Issues

- Enhance credibility by strengthening governance and promoting business growth by ensuring rapid decision-making
- Enhance social reputation by strengthening our response to diversifying social needs

Strengthen governance through dialogue with all stakeholders

- Enhancement of dialogue with shareholders and investors (→P64)
- Dialogue with suppliers for improved supply chains (→P64)
- Exchange of opinions with outside directors, such as in pre-meeting briefings for the Board of Directors

Promote compliance with an eye to diversity

- Implementation of compliance awareness surveys and training
- Implementation of human rights risk training following advancement of AI biometric authentication technologies



Create a culture where employees can take initiative →P58

Main Risks When Selecting Materiality Issues

- Impact on recruitment, increase in employee turnover, and lack of motivation and engagement due to the lack of importance placed on human capital management

Main Opportunities When Selecting Materiality Issues

- Expand growth opportunities and increase engagement through proactive investment in human resources

Improve the Well-being of employees

- Implementation of engagement surveys
- Implementation of one-on-one meetings
- Hosting of psychological safety seminars and workshops
- Implementation of internal surveys and training related to well-being
- Promotion of participation in Japan Master of Health Literacy Test

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

- Implementation of career assessments
- Introduction of online video training service throughout NESIC
- Promotion of communication between management and employees through town hall meetings and caravans



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 gained the ability to create new kinds of solutions that combine its accumulated technological capabilities and know-how gained through self-implementation and co-creation with partners.

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 high-quality technologies, which are symbolic of the NEC Group.

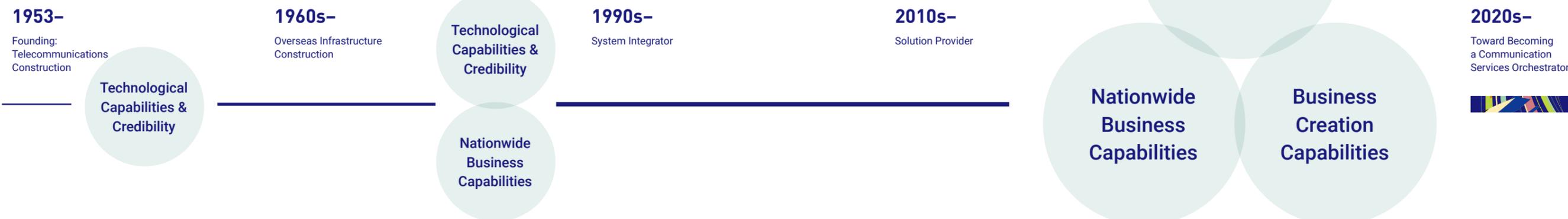
Growth through Construction Capabilities and Refinement of ICT

Alongside 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.

Creation of New Businesses through Technological Capabilities and Nationwide Responsiveness

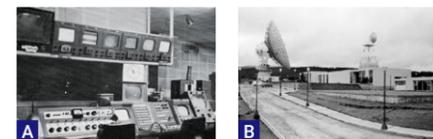
NESIC has reinforced its strengths by building a full-service network of about 400 support and service bases across Japan through aggressive M&As, including a merger in 2007 with NEC Telenetworks Co., Ltd., a company with strength in the service field, and turning Q&A Corporation, which operates contact centers, into a subsidiary in 2013. Furthermore, NESIC has greatly expanded the products and services it offers, including through turning the innovative technologies of startups into services while advancing co-creation with partners, as well as creating EmpoweredOffice workstyle innovation solutions and other new businesses that leverage its unique technological capabilities.

History of Honing Core Competence



Main Initiatives 1950s–1990s

- Nippon Electric Installation Company established in a spin-off from NEC Corporation
- Conducted first overseas project (construction and installation of switching equipment in the Philippines)
- Constructed the 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 the first overseas affiliate, in Brazil



- Changed the company name to NEC System Integration & Construction, Ltd.
- Listed on the Tokyo Stock Exchange
- Strengthened sales structure for private sector by creating a specialized division
- Reinforced nationwide network by setting up a 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 the peak of Mt. Everest for the first time)
- Expanded the enterprise system integration business **C**
- Established S-IDC (Strategic Internet Data Center), NESIC's first data center



Main Initiatives 2000s–2020s

- Changed the company name to NEC Networks & System Integration Corporation
- Launched EmpoweredOffice workstyle innovation solutions business and implemented it internally in certain sections **D**
- Established nTOC (Network Total Operation Center) **E**
- Practiced EmpoweredOffice in all sections upon transfer of head office to Iidabashi (Bunkyo, Tokyo)
- Implemented initiatives in high-speed mobile networks and next-generation broadcasting
- NESIC's industry sector classification in the stock market changed from "construction" to "information & communication"
- Established sDOC (Service Delivery Operations Center) **F**
- Launched MVNO service for IoT
- Introduced telework system throughout NESIC (spawned from a "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 **G**
- 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 the newly established prime market on the Tokyo Stock Exchange
- Relocation of headquarters to Shibaura (Minato, Tokyo) to accelerate sustainability management through self-implementation **H**



Net Sales

Over ¥10 billion
1974

Over ¥100 billion
1989

Over ¥200 billion
1997

Over ¥300 billion
2020

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

Telecom liberalization
Birth of NCC

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

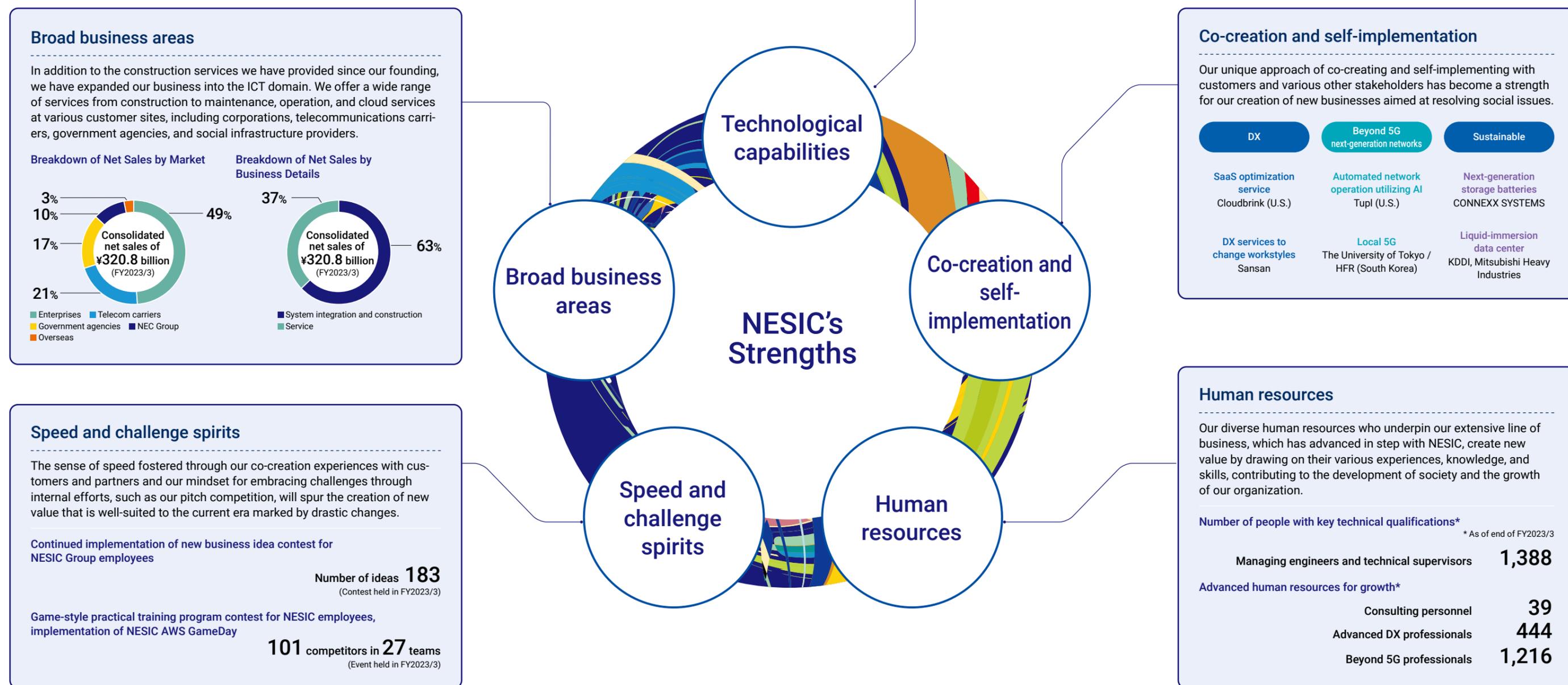
NESIC's Strengths

Changes in our internal and external business environment have altered the strong points we must be aware of to realize further growth. Our three conventional strengths have also evolved, as a result of which, we reorganized our strengths into five points.

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



Value Creation Model

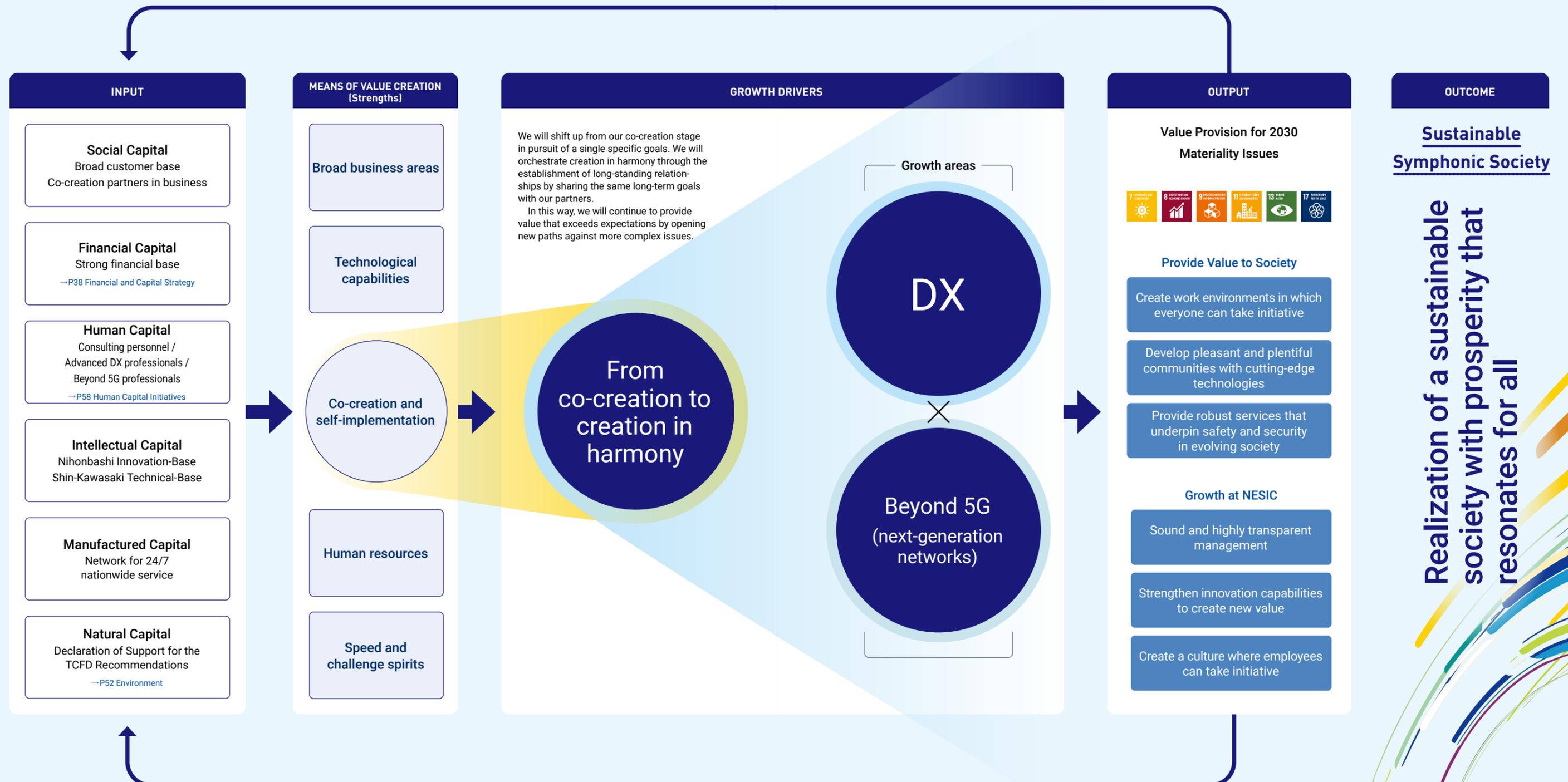
With the formulation of our medium-term management plan Shift up 2024, we have set forth the achievement of a “Sustainable Symphonic Society” as our vision for society.

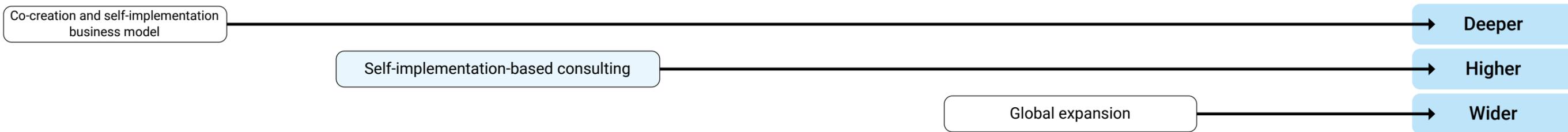
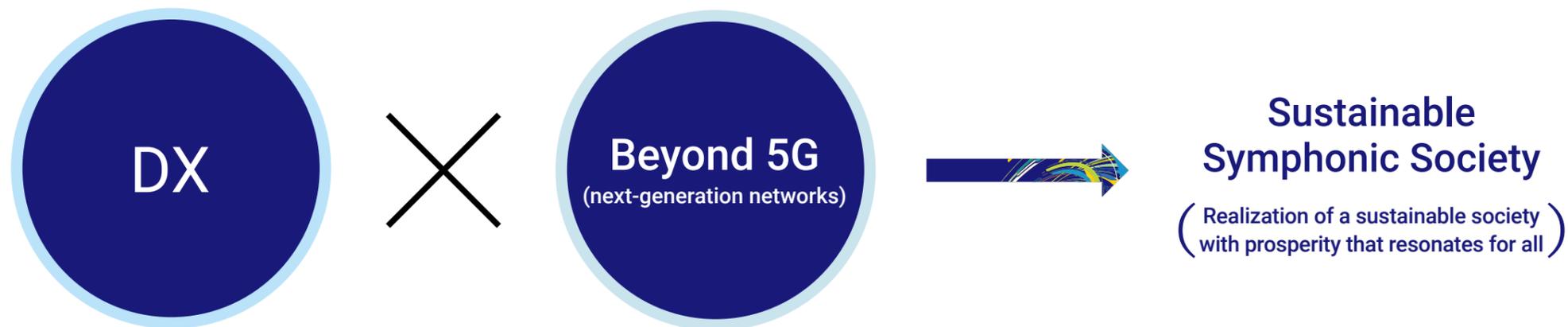
In order to realize such a society, we will establish a value creation model that integrates DX × Beyond 5G next-generation network technologies through the inspiration of our five strengths, with creation in harmony as new factor to success.

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.





Medium-Term Management Plan

Shift up 2024

Elevating society

DX x 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 x 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."

Financial Targets

(¥ billion)	FY2023/3	FY2025/3 target
Net sales	320.8	370
Operating income	22.8	34
Operating margin	7.1%	9.2%
ROE	10.0%	13%+

Non-Financial Targets Note: Figures in the table below, except for engagement score, are on a non-consolidated basis.

		FY2023/3	FY2025/3 target	FY2027/3 target	FY2031/3 target
Human resources*1 (employees)	Consulting personnel	39	190		
	Advanced DX professionals	444	1,190		
	Beyond 5G professionals	1,216	1,580		
Engagement score*2 (Researched by Kincentric)	32%	50%	* This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level.		
Ratio of female managers	5.9%		10.0%		
GHG emissions (Scope 1, 2)*3	24% reduction (Compared with FY2020/3)	89% (Achieve net zero in Scope 2)	100% reduction (Achieve net zero in Scope 1 and 2)		

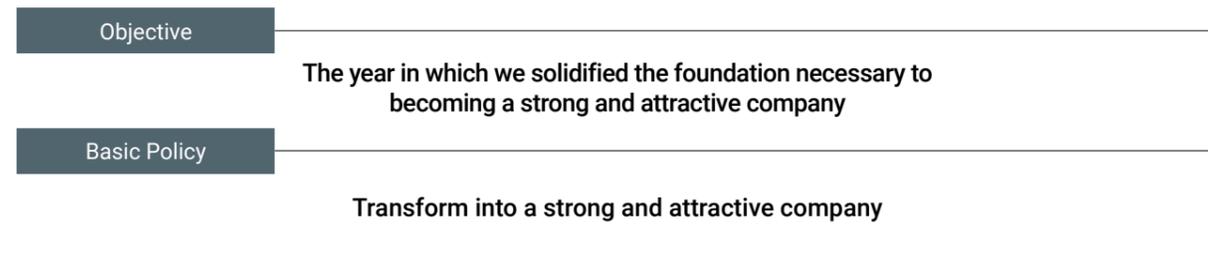
*1 We have revised definitions and targets set during the announcement of the medium-term management plan to include additional criteria, such as skill level acquired from qualifications and training.

*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 To further accelerate our contribution and fulfill our responsibility to address climate change as a company, we have brought forward and revised our targets for reducing CO₂ emissions in Scope 1 and 2. The reduction rate for FY2023/3 is based on figures calculated before implementing third-party verification and may change as a result of verification.

Looking Back on Our Previous Medium-Term Management Plan

FY2019/3



FY2020/3 to FY2022/3

Overview of Beyond Borders 2021

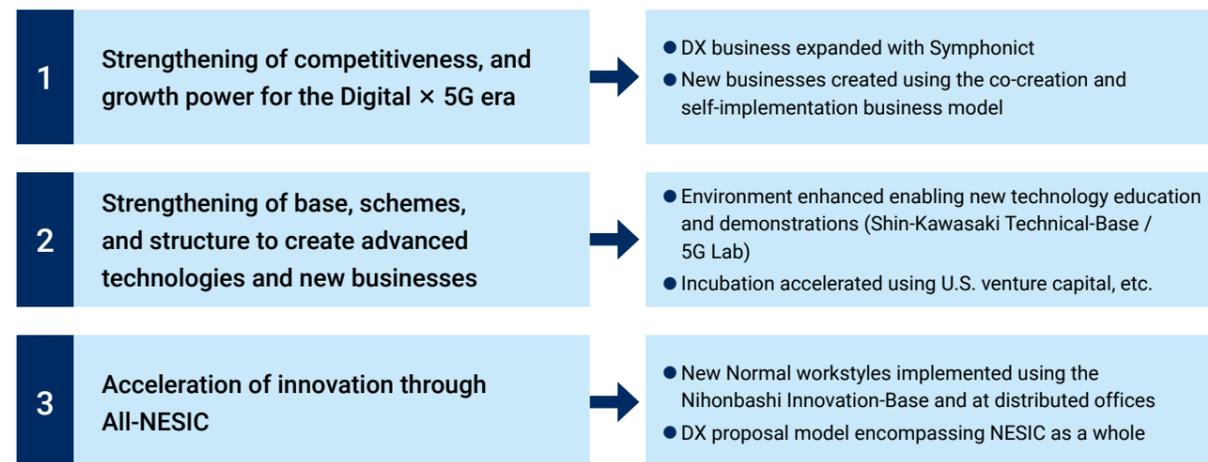
Under our previous medium-term management plan Beyond Borders 2021, we implemented the measures necessary to overcome all obstacles in our path to sustainable profit growth. These measures included reinforcing our business structure and foundation with an eye to future changes in the environment in a bid to enhance our growth potential and profitability.

In order to enhance our growth potential, we established new business schemes and partnerships while launching the DX business and introducing cutting-edge services by joining forces with leading companies.

In addition, to further sharpen our core competencies, we restructured our organization into three business units based on expertise and competitiveness and established a specialized organization that centralizes the functions for creating cutting-edge technology businesses.

Meanwhile, aiming to speed up our co-creation of business with partners, we teamed up with promising startup companies in order to discover state-of-the-art solutions and services, such as through investment in a venture capital fund in the United States.

Completion of structural reforms for sustainable income growth in the Digital × 5G era

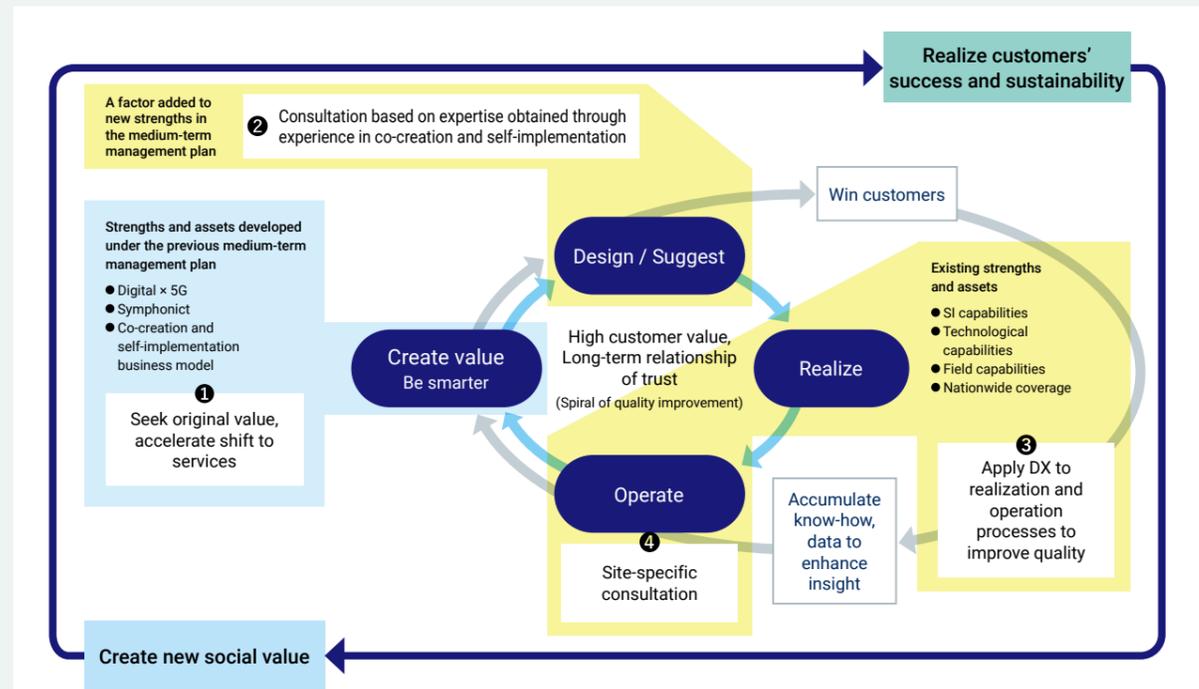


Shift up 2024

Progress of Medium-Term Management Plan Shift up 2024

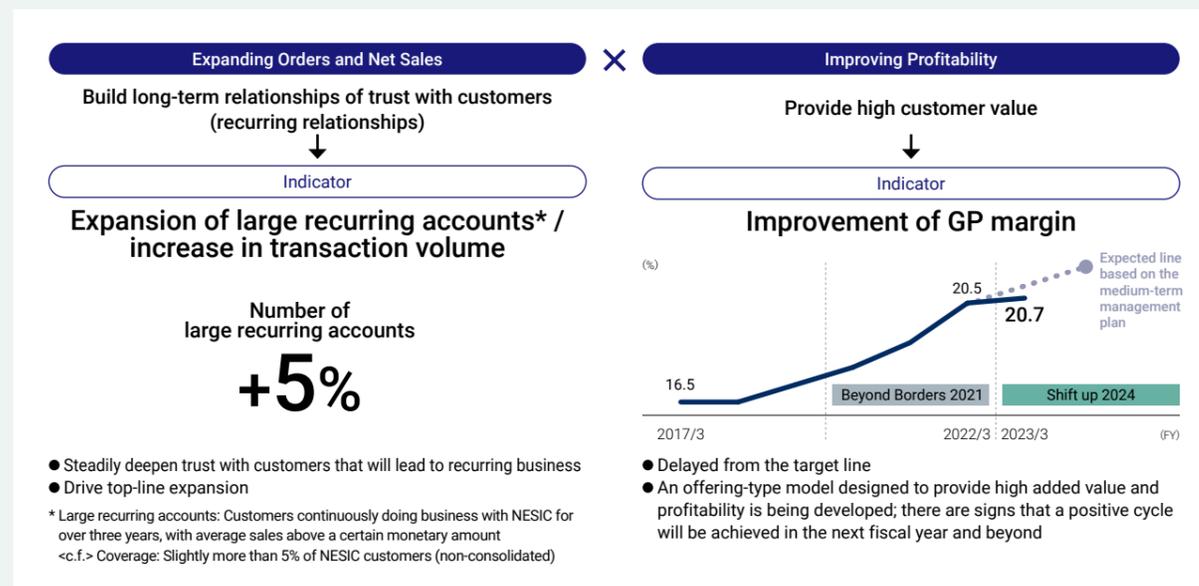
Spiral-Type Growth Model: A Recurring Model Based on Consultation

We aim to reinforce the self-implementation/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

Through the initiatives for self-implementation/site-specific consultation set out in our spiral-type growth model, we are deepening the relationships of mutual trust with our customers and increasing the number of regular, large-transaction customers who make major purchases. While implementing the spiral, we will also increase the speed of improvements in profitability by enhancing value-added services, such as proposing opinions and solutions for latent customer issues.



Basic Strategy 1: Accelerating Original Value Creation

We 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.

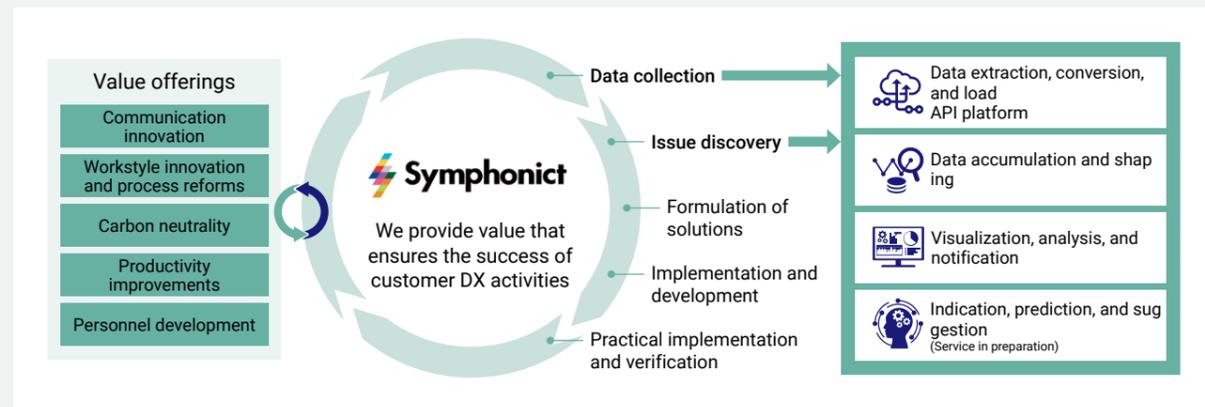
Additionally, we are providing value in a timely manner to even more customers by modeling various services and knowledge according to customer issues and developing them as an offering-type model.

Value Creation Through Symphonict

Symphonict is a DX brand that aims to realize the basic concept of providing new value to our customers' businesses through co-creation. It interlinks and automates various cloud-based services through comprehensive management and analysis of collected data. We realize customer innovation by quickly combining and providing the diverse functions, technologies, and services on our unique platform that are essential after realizing a digital shift.

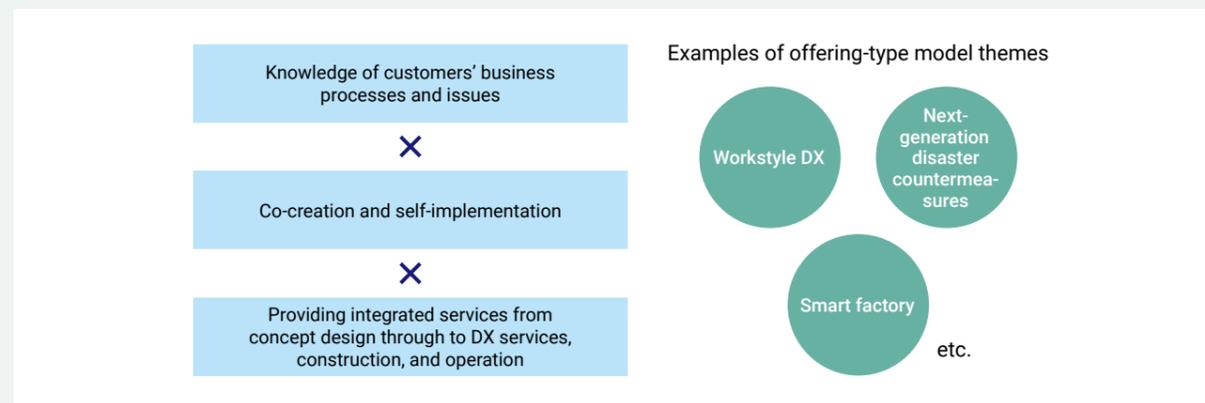
Example of Symphonict: Data Analysis Platform Service Model

We flexibly provide a data analysis platform with various cloud services to meet customer needs, such as wanting to make a small start to data analysis and utilize it as a sub-platform.



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.



Basic Strategy 2: Advancing Solution Capabilities

Incorporating co-creation with business partners and customers into NESIC's strength of self-implementation accelerates and advances issue resolution.

Implementation of Businesses that Address Climate Change

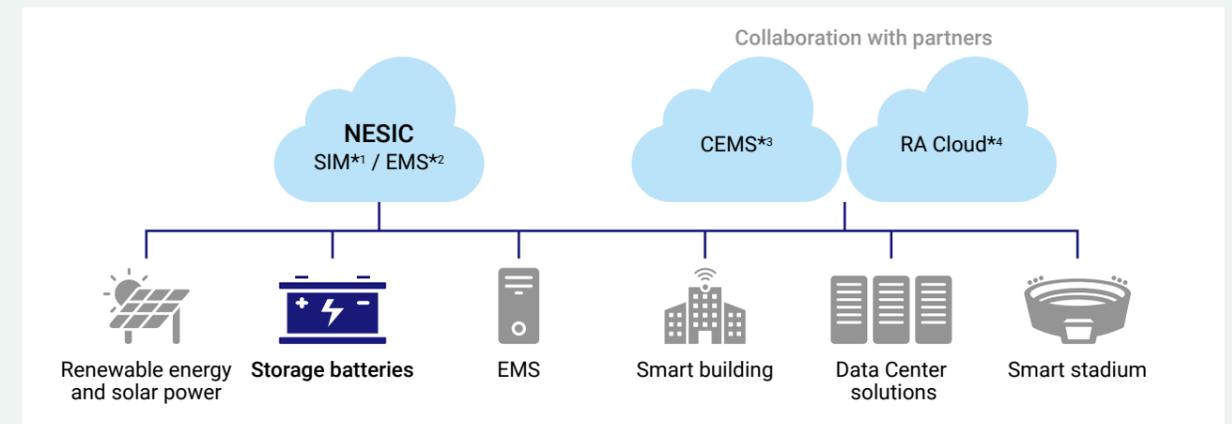
Self-Implementation

We are transforming all of our businesses to ensure they address climate change through collaboration with other related divisions to formulate a framework, such as drafts and targets for Groupwide carbon neutrality strategies, with a focus on the Carbon Neutral Promotion Division established in April 2022.

First, we carry out self-implementation, one of our strengths, significantly bringing forward our targets for reducing greenhouse gas emissions. We will further advance these initiatives going forward to enable this. (→P57)

Co-Creation

NESIC signed a capital and business alliance agreement with CONNEXX SYSTEMS Corporation, a startup that develops storage batteries. Going forward, we aim to fully expand projects into the community development field by reinforcing energy projects through co-creation. (→P48)



*1 SIM (Simulator): Solar power generation simulator

*2 EMS (Energy Management System): System to optimize energy management by visualizing energy usage conditions

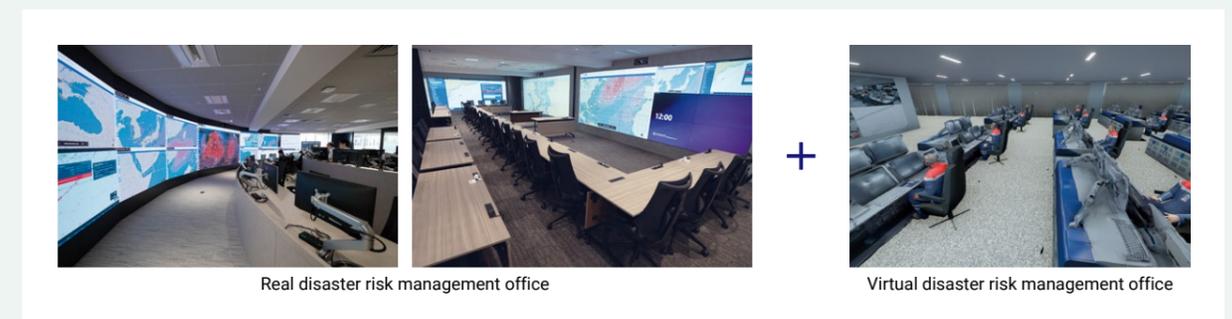
*3 CEMS (Community Energy Management System): System to manage energy throughout a community

*4 RA cloud (Resource Aggregation Cloud): Cloud service for integrated control of decentralized energy resources and creation of coordination capabilities

Community Development Strategies and Progress

NESIC provides a hybrid-style disaster countermeasures office that connects to a virtual office and enables the utilization of various information in real time. As a result, we will contribute to corporate risk management and support for business continuity by enhancing the speed of each stage, from understanding circumstances to decision-making. We invite customers to experience this actual service at NESIC's Nihonbashi Innovation-Base.

Real & virtual disaster risk management office / BCP model



Basic Strategy 3: Evolve into DX-Native Company

To further accelerate our spiral-type growth model, we are working to develop human resources who possess advanced expertise and are the source of customer value. While advancing the innovation of DX platforms that support management, we will also take the opportunity of our headquarters relocation to accelerate sustainability management.

Development of Advanced Human Resources

We position employees as consulting personnel who are unique to NESIC, advanced DX professionals who enact specific reforms, and next-generation network professionals who possess high-level techniques as a priority focus, and are strengthening the training and acquisition of human resources with advanced expertise.

	Consulting personnel	Advanced DX professionals	Beyond 5G professionals
Performance in fiscal year ended March 31, 2023	39	444	1,216
Targets for fiscal year ending March 31, 2025	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.

Innovation of Management Platform to Realize DX

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

Regarding the digitalization of processes, we are extending Salesforce, which we began introducing in sales areas from the fiscal year ended March 31, 2020, to all customer-related processes. Furthermore, we have completed construction of a Companywide data platform to support digital management in the fiscal year ended March 31, 2023. We integrate customer information, financial information, and non-financial information and leverage the knowledge not only for in-house use but also in consulting services for customers based on our self-implementation practices.

We plan to complete the shift to digitalization for all processes in the fiscal year ending March 31, 2025 by replacing the basic operations system developed in-house with the global standard of cloud-based enterprise resource planning (ERP).

Through utilization of this management platform and development of DX human resources, we will realize our transformation into a DX-Native company.

Aims	Business foundation that supports our spiral-type growth model 1. Acceleration of original value creation: social value creation through Symphonict 2. Advancement of problem-solving capabilities: business foundation that supports transforming businesses to address climate change 3. Transformation into a DX-Native company: establishment of digital native personnel, organizations, and management		
Data Integration and Analysis	Data Platform • Utilization and standardization of data Companywide • Creation of balance between data governance and data democratization policies • Accumulation of knowledge through self-implementation and expansion of external sales		
Business Processes	Process integration from customer perspective • Integration of various customer information (sales, construction, and maintenance) • Deepening of business utilization	Process integration from management perspective • Cloud-based ERP • Global standards • Strategic collaboration	Utilization of non-financial data • Human resources and skills • ESG • Workstyles



Acceleration of Sustainability Management at New Headquarters

In March 2023, NESIC leased an entire building in Shibaura (Minato, Tokyo) and relocated its headquarters.

To further accelerate initiatives for self-implementation, co-creation, and climate change response, we will promote sustainability management by advancing new initiatives as a forum for utilizing advanced networks, including local 5G, and demonstrating cutting-edge DX solutions.

Environment

- Energy control
- Visualization of electricity and fuel usage conditions

Social

- Co-creation with local communities
- Improvement of well-being and promotion of health management

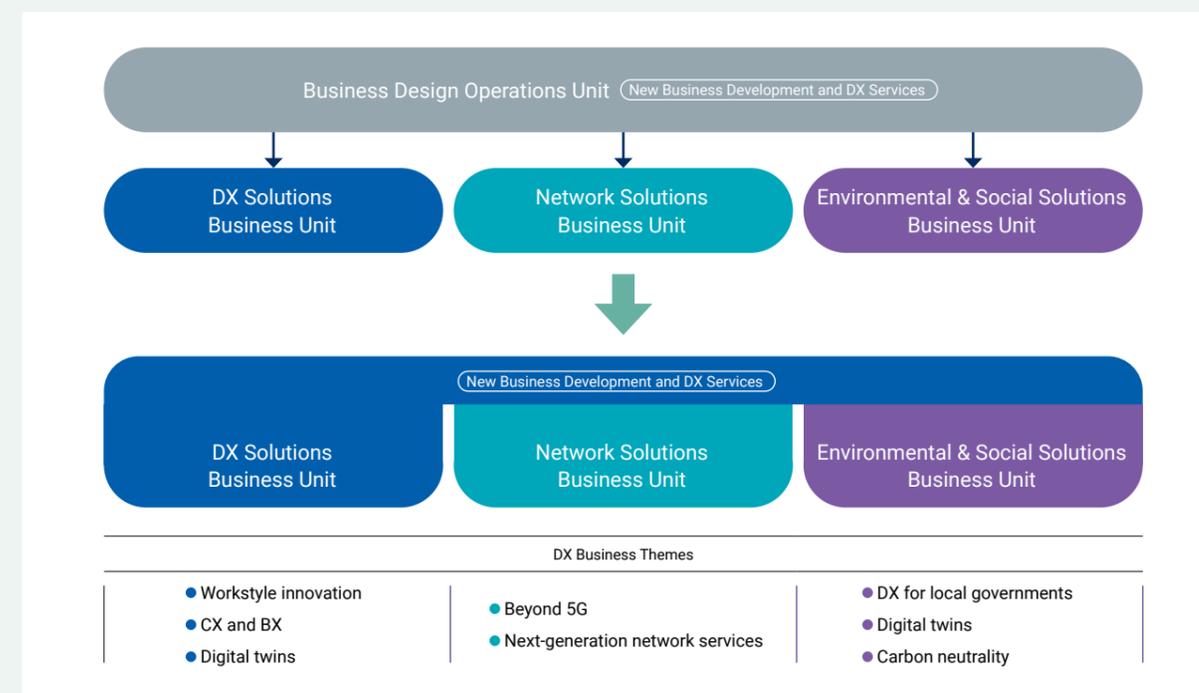
Governance

- Visualization of information by utilizing DX technology and increase in management speed

Organizational Strategy

To accelerate the speed of business development, in April 2023 we integrated new business development and DX service development functions into each business unit, with a focus on the DX Solutions Business Unit. Through this integration, we will enhance profitability by creating DX businesses, accelerating proposals through direct approaches to customers, and further enhancing the value provided by our problem-solving services through their implementation for customers.

Further collaboration for service development and customer implementation functions aimed at improvement of profitability





We aim to achieve our medium-term management plan and maximize corporate value through a corporate value development cycle that rotates between non-financial and financial approaches.

Hiroyuki Sekizawa

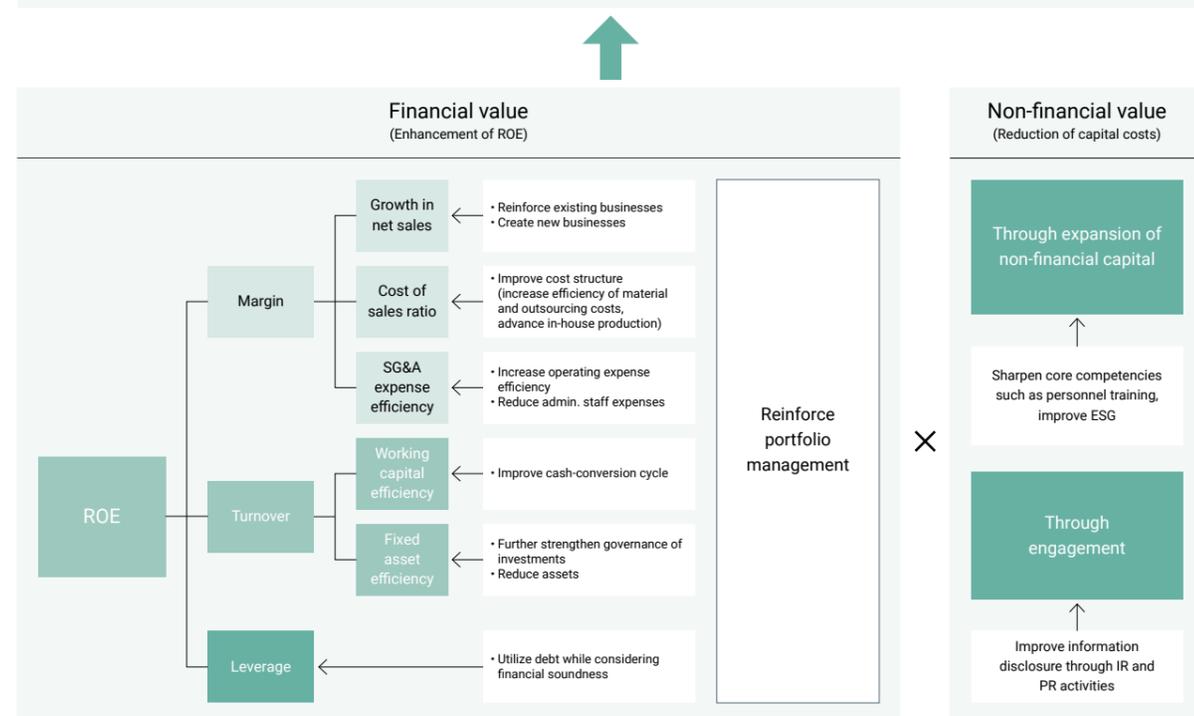
Senior Vice President, Chief Financial Officer (CFO) and Member of the Board

Approach to Sustainable Shareholder Value / Corporate Value Enhancement

Our approach to sustainable growth remains unchanged, placing importance on the integration of “maximizing financial value” based on ROE and “strengthening non-financial value / ESG” with a focus on materiality. Under our medium-term management plan Shift up 2024, we will actively invest toward future growth and proceed with sustainability

management to accelerate our cycle of corporate value creation from non-financial to financial enhancement and back again. While doing so, we will ensure that progress is clearly visible to all stakeholders and engage in constructive dialogue with the aim of increasing corporate and shareholder value by improving ROE and lowering capital costs.

Sustain Improvement in Corporate Value



Maximization of Financial Value Based on ROE

In terms of maximizing financial value, to increase ROE and continuously achieve and maximize returns that exceed capital costs, 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 implement a PDCA cycle. While we utilize a Capital Asset Pricing Model (CAPM) and other methods to understand assumed capital costs, we are conservative in our judgements when looking at the business, keeping in mind investor expectations and the level of capital efficiency we are aiming for.

Although profit and profit margin have certainly risen compared with the past, levels are still low compared to competitors. We also have issues with stability in that it fluctuates significantly depending on the existence of projects. Our shift to a spiral-type growth model (→P33), building recurring relationships with customers, aims to achieve sustainable growth both in terms of society and customers and of NESIC, thereby creating profit stability and high profitability. At the same time, for sustainable ROE improvement and profit growth, we are constantly carrying out project portfolio management (PPM) with an awareness of capital efficiency as an important theme of management, and are strengthening monitoring. After setting a hurdle rate based on factors including capital costs, we analyze and assess the approximately 20 divisions and consolidated subsidiaries that make up each segment from the perspective of ROIC and growth. Where businesses face issues, business units collaborate to create and execute improvement plans, a process in which I am involved.

expectations with the lengthening of lead times to point of sale because of the impact of semiconductor and component shortages, and longer-than-expected delays in improvement in gross profit margin due to factors that include rising procurement costs caused by yen depreciation. As a result, we were unable to cover expanded strategic costs based on policies in the medium-term management plan. Meanwhile, in the fourth quarter, we were able to cover increasing costs as external factors that had been causing performance to decline began to be eliminated. Going forward, I will be mindful of balancing investment from a medium- to long-term perspective with short-term performance. The establishment of our spiral-type growth model has produced constant progress (→P33) in that we surpassed our previous record, with order backlogs increasing 22% year on year.

The fiscal year ending March 31, 2024 holds a sense of uncertainty for the macro environment and telecommunications carriers. However, while thoroughly ensuring a link between such an abundance of order backlogs and sales, we will steadfastly increase profit by actively engaging in the area of DX/workstyle innovation and fields that are seeing favorable movement in areas related social infrastructure, namely marine, space, and national security, as strategic costs increase.

Furthermore, to raise asset efficiency and improve cash flow creation capabilities, in a continuation from the previous medium-term management plan, we are making efforts to improve the cash-conversion cycle (CCC), developing systems and structures such as for the revision of rules regarding accounts receivable management and their incorporation into internal performance reviews. We have also promoted the changing of awareness through methods that include the use of educational comics and holding training for all sales employees. In the fiscal year ended March 31, 2023, the CCC slowed with a deterioration in both the turn-around time for accounts receivable and the time for inventory turnover. This was because of an overemphasis on sales in the fourth quarter due to the impact of semiconductor and component shortages, and because we strategically increased inventory to secure delivery dates.

However, the ability to implement activities has been increasing, with front-line managers in charge of sales and other areas gathering to identify issues and consider measures in areas that need improvement through workshops using best practices as a reference. I feel that we have made steady progress, such as advancement of initiatives for CCC activities and fostering of awareness.

Application of Indicators That Take Growth in Return on Invested Capital into Account (ROIC × Sales Growth Rate)



When advancing these strategies, we intend to actively carry out business investment, human investment, and investment in information technology. We will achieve a balance between growth investment and profit growth by expanding sales and improving profitability by reaping the profits from investments and promoting PMM. As target indicators, we aim to achieve an operating margin of 9.2% and ROE of over 13% by the fiscal year ending March 31, 2025.

In the first year of the medium-term management plan, the fiscal year ended March 31, 2023, there was a decrease in profits for the year. This was due to profit creation capabilities failing to improve as hoped due to sales growth lagging behind

Cash Conversion Cycle (Days)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Improvement
CCC	86	98	-12
Accounts receivable turnover (days)	123	133	-10
Inventory turnover (days)	13	18	-6
Trades payable turnover (days)	49	52	3

Over the past few years, our overseas businesses have continued to record losses and we sincerely apologize for the concern this has caused shareholders and investors. I have already visited the front lines and we are taking measures with the aim of reinforcing collaboration and communication with overseas affiliates. We aim to strengthen internal controls by not only reinforcing project management at these affiliates but also through the Japanese side increasing the number of audit personnel at overseas subsidiaries.

In regard to capital allocation, our policy is to prioritize M&As and investments based on our business strategy,

while giving consideration to stable shareholder return upon securing cash on hand that is equivalent to approximately two months of net sales. This is in preparation for sudden needs for funds going forward and our responsibility to consistently provide highly reliable services, including the development of social and public infrastructure, and this entails having a sound financial foundation in place. Meanwhile, if the need for funds were to arise, we will prioritize the use of loans to the extent that it does not impair NESIC's financial position upon ensuring security, and through this means, take shareholder value into consideration.

Non-Financial Value / ESG Reinforcement Focused on Materiality Issues

In addition to improving sales and ROE, I believe 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 have also been actively focusing on this in addition to financial aspects. We have set non-financial indices such as the reduction of greenhouse gas emissions, the development of highly skilled professionals, and the achievement of a high employee engagement score as management targets under the medium-term management plan. We will also transform all of our businesses to ensure that they are able to address climate change and work to strengthen our disclosure in this area. (→P30)

Furthermore, we will not simply disclose non-financial information in response to requirements from society but will also advance our response in order to show the connection between financial and non-financial information, explaining the path toward enhanced sustainable corporate value. In particular, regarding human capital, we described related indicators (→P58) after clarifying the relationship between management strategy and finance. Going forward, we hope to thoroughly explain these results to the entire capital market.

Additionally, regarding the environment, we announced our endorsement of the TCFD recommendations in December 2021 and established the Carbon Neutral Promotion Division in April 2022. While we have reinforced our strategic climate change response measures in terms of

both risk and opportunity, we will bring forward and revise our targets for reducing CO₂ emissions in Scope 1 and Scope 2 to further accelerate our contribution toward climate issues and fulfill our responsibility as a company.

As CFO, I have been actively engaging in constructive dialogue with people in the capital markets. I believe it is vital to implement a cycle of issue awareness through this dialogue, reflecting notable points in management activities, explaining results, and holding further dialogues. Based on this approach, over the past few years, in addition regular IR activities such as explanations of results and question-and-answer sessions, and I have promoted dialogue with coverage analysts and investors from the perspective of improving corporate and shareholder value. The recent expansion of current disclosure and the aforementioned increased efforts to connect financial and non-financial aspects are also a result of these discussions. On a positive note, other listed companies have taken an interest in this initiative as a practical example of corporate value enhancement through two-way communication between corporations and capital markets. This has led to NESIC's Selection for the "Most Liked!" IR Award at the Best IR Award 2022 hosted by the Japan Investor Relations Association. While two-way communication with capital markets is a given, we will continue to take the lead in steadily building on these efforts, as this will lead to the creation of relationships of mutual trust, which will in turn contribute to reduced capital costs.

Outside Evaluations / Selection of Indices

JPX-NIKKEI 400
 JPX-Nikkei 400

FTSE4Good
 FTSE4Good Index Series

FTSE Blossom Japan Index
 FTSE Blossom Japan Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
 MSCI Japan Empowering Women (WIN) Select Index*

2023 Sompo Sustainability Index
 SNAM Sustainability Index

* THE INCLUSION OF NEC Networks & System Integration Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEC Networks & System Integration Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

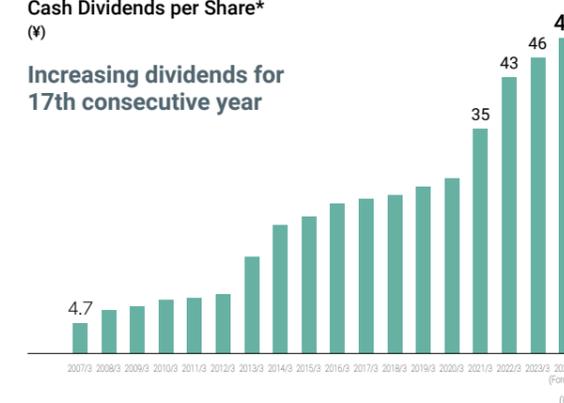
Shareholder Return

Based on a sound financial position and after securing funds for investment in future growth, NESIC comprehensively takes into account consolidated business performance, free cash flows, the expectations of shareholders, and other factors, while emphasizing 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. Accordingly, following an increase in the annual dividend per share for the 17th consecutive year, from ¥46 per share in the fiscal year ended March 31, 2023, we plan to increase the dividend to ¥49 per share in the fiscal year ending March 31, 2024. Going forward, we will work to provide even higher levels of return to shareholders by continuing to strengthen our profitability. We consider share buybacks based on a comprehensive review of investment in future growth and share price, cost of capital, increases in shareholder value, and other factors.

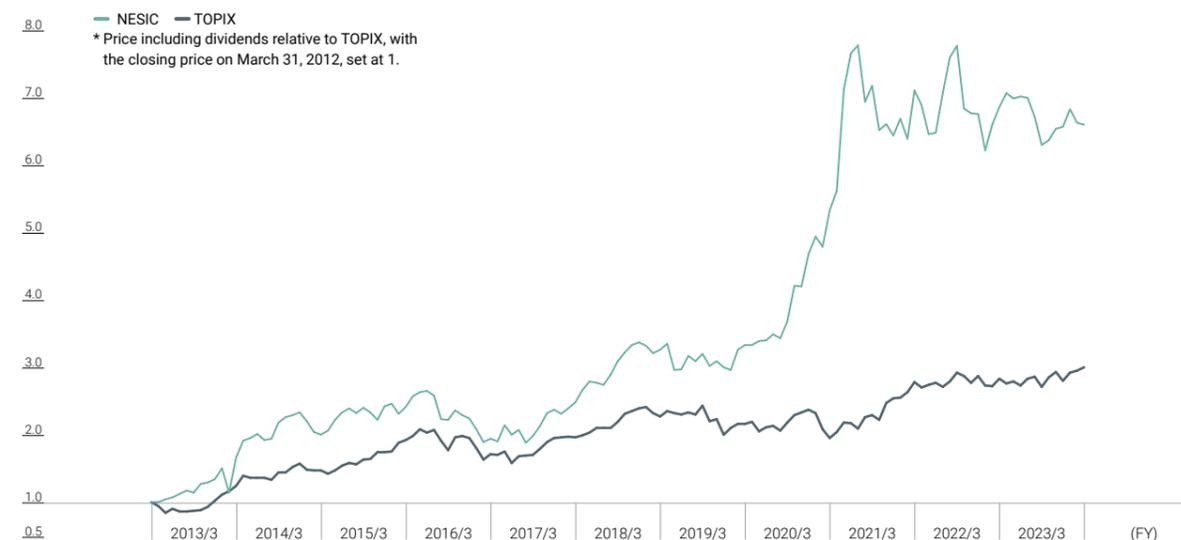
Under Shift up 2024, we are making efforts to enable returns to all of our shareholders in terms of capital gains by improving both financial and non-financial value through active investment, in addition income gains based on our approach to dividends.

Cash Dividends per Share* (¥)
Increasing dividends for 17th consecutive year



* Figures prior to the fiscal year ended March 31, 2020 have been adjusted to reflect the three-to-one stock split on June 1, 2020.
* Forecast as of April 28, 2023

Total Shareholder Return (Times)



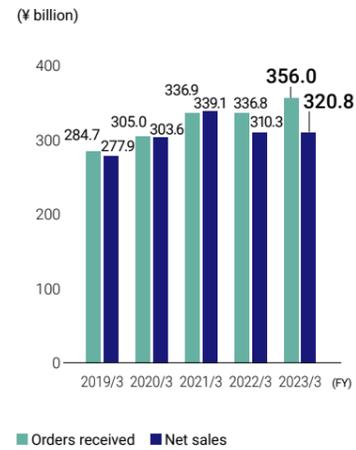
* Total shareholder return: Total shareholder return, including capital gains and dividends
* Method for calculating total shareholder return: NESIC: Cumulative dividends paid and changes in share price; TOPIX: Calculation by share price index with dividends (prepared by NESIC)

Financial & Non-Financial Highlights

Financial Data

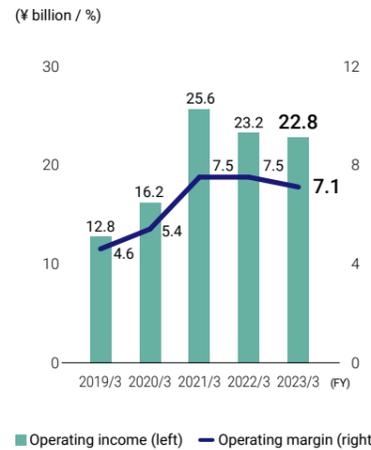
Orders Received / Net Sales

Orders received exceeded our previous record. Despite the impact of lengthening lead times due to semiconductor and component shortages, net sales have showed signs of improvement going forward since the end of the fiscal year ended March 31, 2023.



Operating Income / Operating Margin

Operating income fell slightly as a result of being unable to absorb higher strategic costs, such as from the relocation of NESIC headquarters, and an increase in resources related to the creation of new businesses, due to delays in the recording of sales and the impact of the depreciating yen.



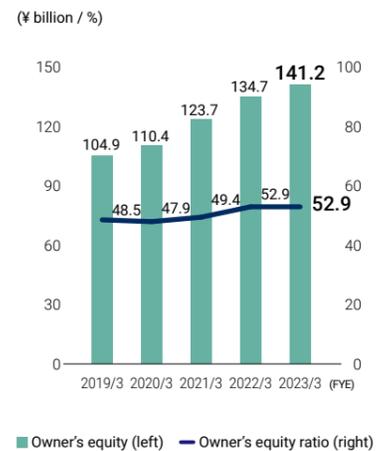
Net Income Attributable to Owners of the Parent

Net income attributable to owners of the parent decreased slightly due to factors including a minor fall in operating income and the recording of an extraordinary loss related to the relocation of NESIC headquarters.



Owner's Equity / Owner's Equity Ratio

Owner's equity remained at 52.9%, the same level as the previous fiscal year. As a company that facilitates the development of social infrastructure, we maintain a solid financial base.



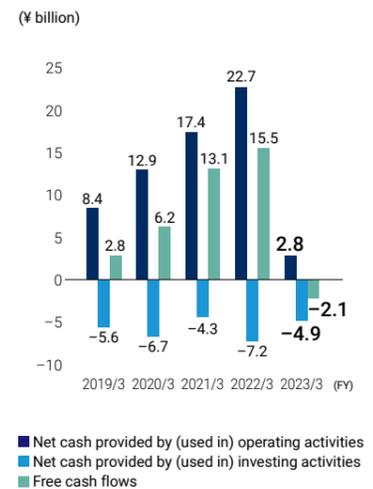
ROE / ROA

We maintained a two-digit ROE of 10.0%, despite a decrease compared with the previous fiscal year due to the impact of lower incomes. As a medium-term target, we aim to exceed 13% by promoting the improvement of profitability and working capital efficiency.



Cash Flows

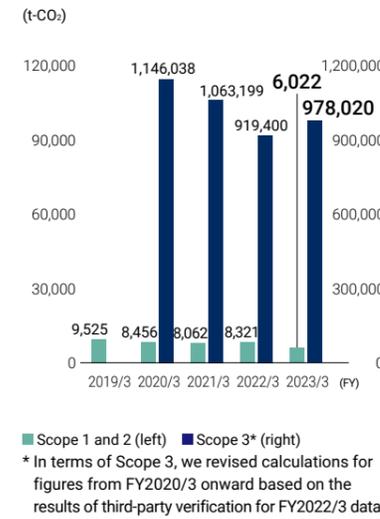
While free cash flows were in the negative, this was due to the impact of a lag in the timing of money received following delays in the recording of sales.



Non-Financial Data Non-consolidated

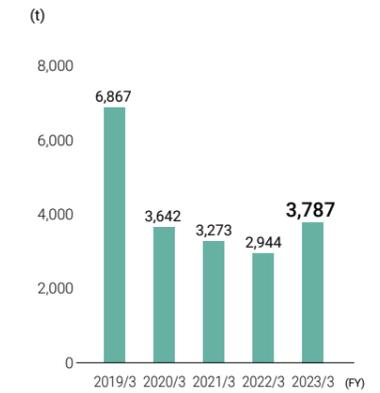
Greenhouse Gas Emissions

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



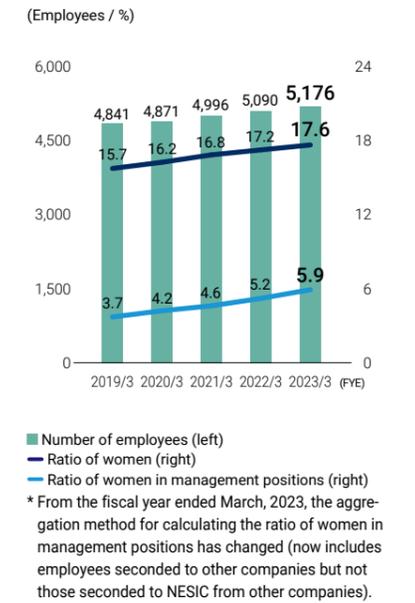
Total Waste Emissions

Despite an increase in total waste emissions from projects that involve dismantling and demolition construction in the fiscal year ended March 31, 2023, we are striving to reduce the amount of waste emissions from our business activities.



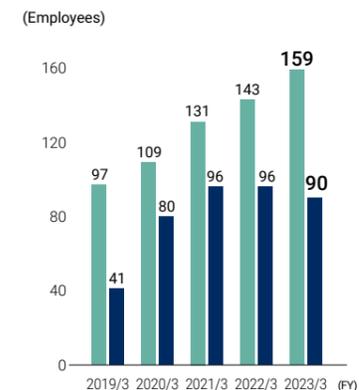
Number of Employees / Ratio of Women / Ratio of Women in Management Positions

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



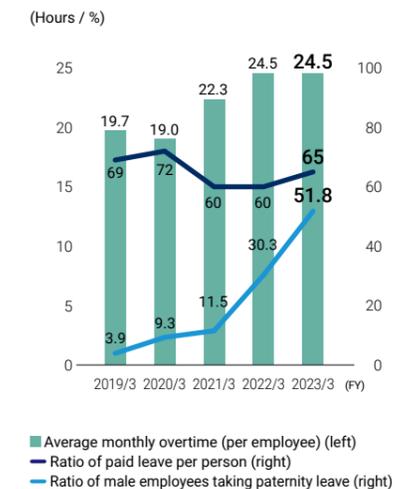
Number of New Graduate Hires / Number of Mid-Career Hires

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



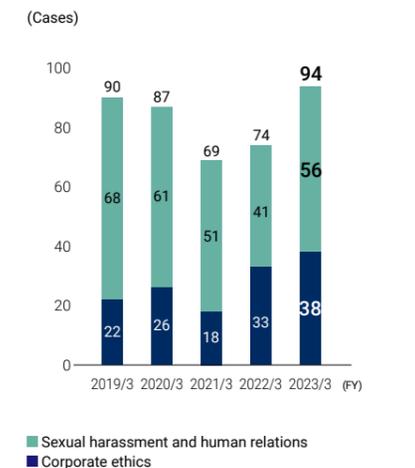
Average Monthly Overtime (Per Employee) / Ratio of Paid Leave Per Person / Ratio of Male Employees Taking Childcare Leave

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



Number of Internal Reports (Sexual Harassment and Human Relations / Corporate Ethics)

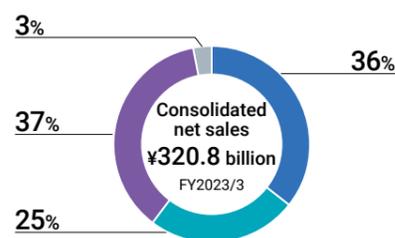
We have established individual hotlines for matters related to sexual harassment/human relations and corporate ethics and are working to ensure management transparency and soundness.



NESIC Segments

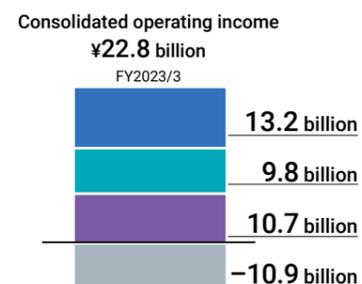
At NESIC, we aim to establish a spiral-type growth model in which we build recurring relationships as a strategic partner to our customers, centered on our site-specific and self-implementation-based consulting services. At the same time, we will continue to enhance our ability to create social and customer value through the data we accumulate via these recurring business processes. NESIC is currently operating segments based on three organizations, with a market-specific approach added to our existing technology-specific structure, to proceed with our medium-term management plan.

Breakdown of Net Sales



■ DX Solutions Business ■ Network Solutions Business
■ Environmental & Social Solutions Business ■ Other

Operating Income



■ DX Solutions Business ■ Network Solutions Business
■ Environmental & Social Solutions Business ■ Other / Elimination

Business Segments

DX Solutions Business

Net Sales
¥114.2 billion

Operating Income
¥13.2 billion

FY2023/3

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, the 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
¥79.2 billion

Operating Income
¥9.8 billion

FY2023/3

The Network Solutions Business provides system development, maintenance, and operation services for network infrastructures that require advanced and specialized technical capabilities and ensure reliability, including such as networks for telecommunications carriers and their applicable areas in next-generation network services including local 5G, transmission and studio facilities for broadcasters, space-related businesses such as satellite and space exploration operations and ground observation, and marine businesses such as submarine communications networks and seismometer systems.

As a manufacturing group system integrator, NESIC has developed advanced technological capabilities by developing products, assessing and examining systems, and analyzing defects together with NEC; a wide range of wireless technologies from Wi-Fi to satellite communications; and a high level of awareness of customers' businesses through its years of providing system maintenance and operation services. We also boast a competitive edge in the form of multivendor SI capabilities that enable us to use our aforementioned abilities to address customer needs at a high level, including for products of various manufacturers.

Environmental & Social Solutions Business

Net Sales
¥119.2 billion

Operating Income
¥10.7 billion

FY2023/3

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

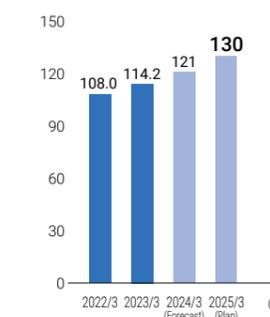
- Extensive customer relationships and a proven track record cultivated through the development of various ICT infrastructures
- Capabilities to apply the high level of technology and service platforms, such as operation and maintenance, required to the NEC Group on a multi-vendor basis
- Know-how related to DX and workstyle innovation cultivated through co-creation activities with customers and Companywide self-implementation activities and its provision capability as a real solution

Medium-Term Strategy and Progress

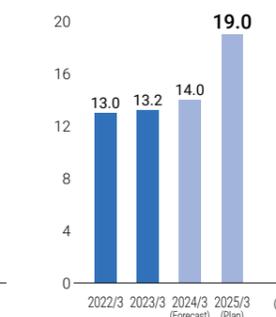
As the impacts from the COVID-19 pandemic fade, the need to innovate workstyles and workplaces is accelerating, such as hybrid workstyles that combine the merits of home and office environments through the utilization of DX technology. NESIC is reinforcing consultations from a customer standpoint by utilizing the knowledge we have built up through self-implementation to date. At the same time, we are reinforcing the provision of services that support the enhancement of customers' management capabilities and corporate value. This is achieved by implementing a cycle of improvement proposals to stay ahead of the customer based on data analysis of cloud service and network usage through the operation of systems we provide. We are steadily advancing preparations, including the creation of new solutions and reinforcement of resources, in the fiscal year ended March 31, 2023, the first year of the medium-term management plan. This was despite downward pressure due to factors including the impact of sudden exchange rate fluctuations, semiconductor and component shortages, and a deteriorated sales mix resulting from the conventional private branch exchange (PBX) service business contracting faster than expected during this period. These negative factors from the previous fiscal year are beginning to dissipate. At the same time, we are reinforcing our approach to customers divided into different growth themes, such as workstyle DX, next-generation

network security, data analysis and utilization, digital twins, and local government DX and ensuring that business results are linked to our efforts to date. We aim to achieve our medium-term management plan by accelerating growth measures, including practices at our new headquarters and Nihonbashi office and development of an offering-type business model, and enhancing profitability by adding more value to the services we provide.

Net Sales (¥ billion)



Operating Income (¥ billion)



* FY2022/3 figures shown above have been reclassified to reflect the restructuring of business segments in April 2022.

* Forecasts for FY2024/3 are as of April 28, 2023.

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
- Wide range of wireless technologies from Wi-Fi to satellite communications
- Extensive customer base in social infrastructure and deep understanding of our customers' business activities acquired through our years of providing maintenance and operation services

Medium-Term Strategy and Progress

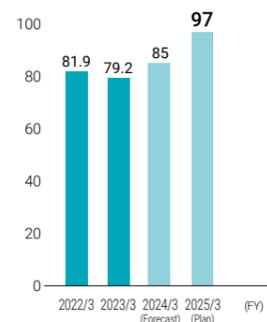
In the fiscal year ended March 31, 2023, there was an impact from a reduction in infrastructure investments by telecommunications carriers. While we do not expect a fast recovery from this hesitance to invest, we are focusing on areas in which investments continue, such as strengthening of networks, and expanding services to meet customer needs for reducing their operational costs, including visualization and automation of operations. The launch of the entire local 5G market was delayed compared to initial expectations, however implementation is starting to move ahead of schedule in markets that require a high level of reliability, such as power plants and transportation infrastructure. We will build up results here in preparation for a full-scale market launch.

Meanwhile, in the area of social infrastructure, the market is more active than predicted so we aim to accelerate business expansion. The reinforcement of submarine communications networks is advancing in response to increased traffic in the marine domain and we anticipate business expansion in the future as a result of demands related to the diversion of submarine communications technology into power line construction for offshore wind power, and monitoring and observation demand for disaster prevention and resource development. In the space and radio wave domains, in addition to higher demand for national security, there are expectations for new areas, such as space-related application in the private sector. We will further

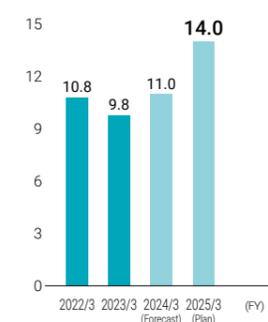
promote differentiation by utilizing our strengths from ground equipment to satellites and system design to development, and its operation through utilization of DX technology, such as AI image analysis.

Despite challenging conditions for telecommunications carriers, we aim to achieve business growth for the entire Network Solutions Business as planned by accelerating initiatives in the social infrastructure domain.

Net Sales
(¥ billion)



Operating Income
(¥ billion)



* FY2022/3 figures shown above have been reclassified to reflect the restructuring of business segments in April 2022.
* Forecasts for FY2024/3 are as of April 28, 2023.

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.

Kazuhiko Takeuchi

Senior Vice President,
Chief Engineering Officer (CENO),
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

- 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 Groupwide DX and network technology

Medium-Term Strategy and Progress

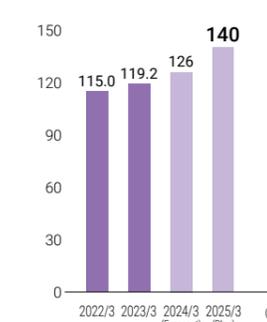
Our strengths include the construction and engineering capabilities and a nationwide support service network. Based on these, we are directing our attention to creating high-value-added services aimed at development of safe and secure communities and the realization of a decarbonized society by producing a solutions service that connects Groupwide DX and next-generation network technology. Accordingly, we aim to reinforce profitability through provision of such high-value-added services and advancement of our construction and maintenance infrastructure that utilizes DX technology.

In community development, we will support the quick recovery of infrastructure and the maintained safety and security of residents following natural disasters. This includes provision of common platform services that connect map information across industries such as telecommunications, gas, water, and transportation and a virtual disaster countermeasures office that enables rapid information-sharing and decision-making when gathering in person is difficult during a disaster. To realize a decarbonized society, we will develop comprehensive solutions, from visualization to downsizing and substitution, based on knowledge gained through self-implementation to reduce greenhouse gas emissions by 89% in fiscal 2024 and to net zero in fiscal 2030. In addition, we are carrying out initiatives that include co-creation with startups that utilize unique electricity storage technology and development of liquid immersion

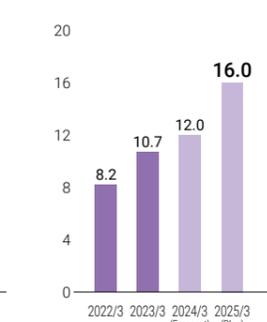
cooling technology that significantly reduces electric consumption for air conditioning in data centers.

Furthermore, we are striving to resolve food issues by commencing operation of an onshore salmon aquaculture farm that utilizes DX technology. While we faced a slow start in the fiscal year ended March 31, 2023 due to the impact of exchange rate fluctuations and semiconductor and component shortages, we aim to achieve our medium-term management targets by taking the opportunity to expand the market in these areas going forward.

Net Sales
(¥ billion)

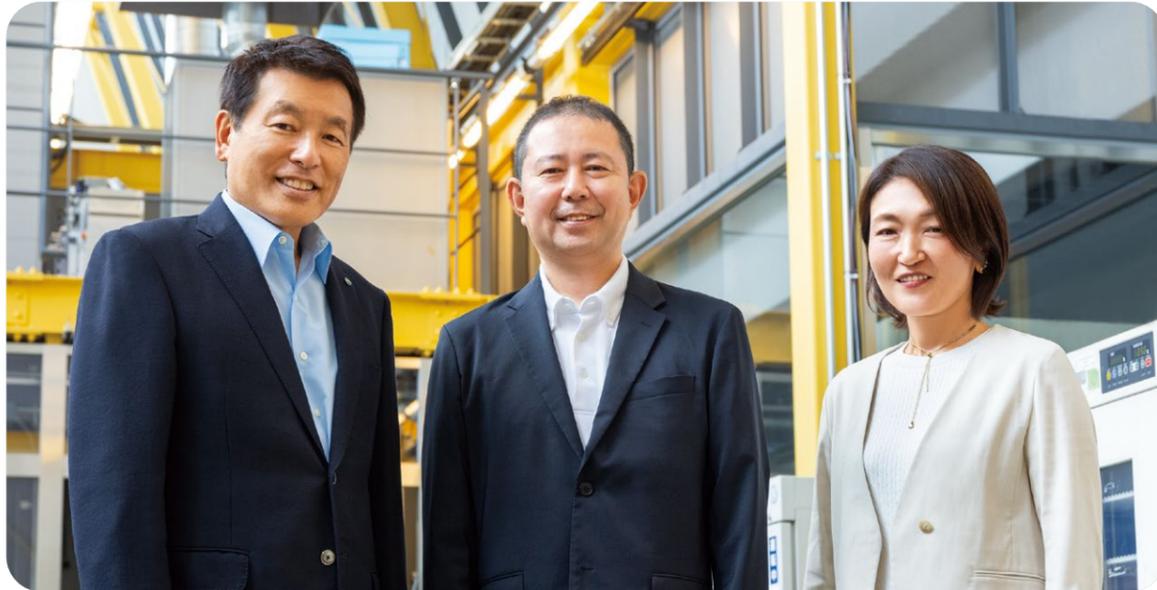


Operating Income
(¥ billion)



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* Forecasts for FY2024/3 are as of April 28, 2023.

Aiming to Realize a Sustainable Society through Unique and Innovative Technology



Hisashi Tsukamoto
Founder, CEO
CONNEXX SYSTEMS

Takahiro Uchino
General Manager
Energy Solutions Division
Environmental & Social Solutions
Business Unit

Nobuko Endo
Manager
Energy Solutions Division
Environmental & Social Solutions
Business Unit

NESIC is advancing the reinforcement of the energy business to achieve carbon neutrality. As part of this, we are engaging in co-creation with CONNEXX SYSTEMS Corporation, a startup that develops storage batteries. The dialogue below focuses on the aims of both companies through co-creation and their future goals.

Co-Creation to Deliver New Technology to Society

Uchino Measures to achieve carbon neutrality are progressing around the world. Under our medium-term management plan Shift up 2024, NESIC has adopted policies that shift all businesses to ensure they address climate change, and we are expanding our renewable energy business, including solar power. In achieving such carbon neutrality, one issue that must be addressed is the popularization of energy storage systems.

Endo To continually reinforce our energy business, NESIC needs a

strong partner with an energy storage system that has the technical capabilities necessary for a stable supply of renewable energy. Based on these circumstances, we approached CONNEXX SYSTEMS Corporation, which develops and provides unique and innovative energy storage systems, and commenced co-creation through a capital and business alliance agreement in November 2022.



Tsukamoto CONNEXX SYSTEMS is a storage battery development startup. While we currently create industrial-use energy storage systems that utilize existing lithium-ion batteries as a key business, we also engage in the development of innovative energy storage technology and batteries. The reason for our business alliance is the belief that by integrating these technologies and products with NESIC's ICT and cloud-based technology, construction, operation, and maintenance resources, we could create new services and contribute to society in a truly valuable way. I founded CONNEXX SYSTEMS on the concept of delivering our

unique currently-in-development high capacity rechargeable iron-air battery called the SHUTTLE Battery™. The SHUTTLE Battery™ is an innovative battery that stores energy generated by utilizing the oxidation reaction of iron. The energy density is five times that of the currently popular lithium-ion batteries but is a tenth the cost. Additional advantages include the fact that the battery is environmentally friendly because the active materials are iron and air and that anyone, anywhere in the world can enjoy the benefits of this technology fairly and cheaply. Furthermore, at the same time as developing this SHUTTLE Battery™, another key project we are engaging in is the reuse of EV batteries in industrial-use energy storage systems.



Game-Changing Technology

Tsukamoto The energy storage system CONNEXX SYSTEMS possesses, EnePOND®, is advantageous in terms of price because, through its patented technology, we can reuse the batteries taken from electric vehicles without modifying them. Additionally, the system is impressive for achieving extremely low CO₂ emissions during manufacturing, so we are trying to speed up its implementation.

Uchino I think that this CONNEXX SYSTEMS technology is amazing—reusing EV batteries so they can be reborn as a storage system for

renewable energy. I hope we can expand EnePOND® nationwide by combining this with NESIC's ICT strengths of operational management and remote monitoring and a national service network. With EnePOND® and SHUTTLE Battery™, I believe we can immediately expand large-scale energy storage systems, for which price has been a barrier to popularization, which will be a game-changer. There are numerous regions and islands around the world that still acquire energy through generators, and electricity is become difficult to use due to steep rises in fuel costs. If we can implement these batteries, it will enable us to supply cheap and stable green electricity even to these areas, and contribute to resolving global energy issues.

Endo As other companies start to focus on reusing batteries from EVs, I once again get a sense of your foresight, Mr. Tsukamoto. While clearly envisioning future scenarios from a long-term viewpoint, we are very eager to create this new business together with CONNEXX SYSTEMS, which develops wonderful products. Through this co-creation effort, we have reaffirmed the importance of reducing CO₂ emissions from the product manufacturing process to achieve carbon neutrality. I hope that such a viewpoint will spread throughout the entire NESIC Group.



Toward Achieving a Carbon Neutral Society

Tsukamoto I hope that we can establish and popularize EnePOND® technology in the next few years in cooperation with NESIC. Furthermore, I believe that we can contribute to a carbon neutral society by advancing the development of technology that will enable us to implement the SHUTTLE Battery™ in the near future. To achieve this, we will closely collaborate with NESIC going forward.

Endo We appreciate your kind words. To achieve a carbon neutral society, first we will put our effort into expanding EnePOND® technology throughout society by utilizing NESIC's ICT, operation, and maintenance. In the future we aim to be an integrated service provider in the energy business area, and will engage in endeavors that include development of integrated monitoring services for energy storage systems through co-creation with CONNEXX SYSTEMS.

Uchino NESIC has set a target of realizing net zero CO₂ emissions in 2030, ahead of achieving carbon neutrality in 2050. One of the keys to achieving this is the establishment of an energy business that focuses on renewable energy and energy storage systems that are the foundation of its stable supply. Going forward, we hope to continue collaborating, and to promote carbon neutrality together.

Moving Forward Under Self-Implementation: New Headquarters Relocation Project



Kuri Okamoto
Business Creation Division
DX Solutions Business Unit

Tomomi Abe
Promotion Division
Empowered Business
DX Solutions Business Unit

Reika Takahashi
Administration Division

Hiroyuki Sumitomo
Promotion Division
Empowered Business
DX Solutions Business Unit

Tomoki Mikata
Administration Division

In March 2023, NESIC relocated its headquarters. Members of the new headquarters relocation project established at that time are gathered here to exchange opinions on the theme of self-implementation measures aimed at deepening sustainability management.

Background to Launch of New Headquarters Relocation Project

Takahashi In April 2022, NESIC decided to relocate its headquarters. The new location was a former university, and we signed a lease on an entire building, with its layout remaining mostly unchanged. We needed a lot of ideas to be able to transform this campus used by students into a headquarters that is a foundation for achieving our vision for 2030. Accordingly, we decided to involve members of multiple departments, not just the perspective of the Administration Division, which supports the management of the office. This was the background for launching the new headquarters relocation project.

Okamoto Ms. Takahashi and Mr. Mikata, who are from the Administration Division, were responsible for the management of

the entire project and its costs. Ms. Abe and Mr. Sumitomo, who are from the DX Solutions Business Unit, promoted measures that utilize our track record for proposing workstyle innovation solutions to customers we work with on a daily basis. With the aim of creating a comfortable office that employees want to work at, I was involved in the overall direction of the project, first analyzing the workstyles of people within the office, and then incorporating the role of the office into the plan and spatial design.

Self-Implementation Measures Aimed at Deepening Sustainability Management

Abe At the launch of the project, we held numerous discussions with President Ushijima about the embodiment of sustainability management, which was designed as

an overall concept for the new headquarters. We decided on what the office should look like following the move with an awareness of what kind of company NESIC should be in 10 years after listening to the President's opinions on sustainability management and workstyles.



Okamoto I also aimed for an office that aligns with sustainability management, deciding on how to utilize the existing fittings, such as partition walls and furniture. While keeping much of the furniture from the old office, we have employed various concepts to make the location feel like a new space. We also

designed power to be environmentally friendly, such as using green energy generated on site and switching to eco-friendly electricity.

Takahashi The new headquarters aims to become a place to actively collaborate and co-create with the local community. We have enabled the use of open space on the first floor for various seminars and events that involve people from the local community, students, and others from outside NESIC. Additionally, the large screen on the first floor functions as a way to display the latest information during a disaster.



Sumitomo We have started self-implementation of "digital twin," technology which aggregates and visualizes various information such as customer and management data and on-site environmental conditions on one platform. This technology will enable us to sustain a comfortable office environment that improves the productivity of employees, and to reduce CO₂ emissions by predicting demand for air-conditioning and light within the building, controlling them accordingly.

Mikata When teleworking, I was aware of many issues related to communication with my managers and co-workers. As a result, we endeavored to create areas that enable flexible communication by designing many free spaces in the new headquarters. We also utilized characteristics typical of a university where entire floors are open-plan to make it easier to communicate

across departments. As a result, the number of people visiting the floor via the stairs increased, which I believe plays a part in promoting health management. Stimulating communication also leads to an improvement in employee engagement.

Enthusiasm for Creating New Social Value

Mikata We are continuing to pursue new workstyles that further invigorate in-house communication. By utilizing the knowledge we have gained through this project not just at headquarters but at all of our offices, we hope to develop an office environment across the entire Group that is easy to work in, and for it to become the key to communication between employees.



Takahashi After moving, we have been hearing feedback from various employees. We will continue to pursue a work environment that is easy to work in and clarify the roles of each office, while making it into a place that enhances quality of operations for each employee utilizing the space for its intended purpose and ensures the creation of new value.

Okamoto Through this project, I believe that we have created a foundation for the new headquarters that is based on the theme of sustainability management. As the next step, we have launched a new team to carry out self-implementation of DX technology at the new

headquarters who will take over the concept of our projects. While the relocation is complete, this does not mean everything is finished. We will realize a headquarters office that is constantly evolving through continuous improvement.



Sumitomo My participation in this project and the iterative trial and error of creating an office that satisfies all parties was a tremendous learning experience. I will utilize the expertise related to ICT that I have accumulated to date and management knowledge gained through this project in my operations going forward.



Abe Through my involvement in the new headquarters relocation project, I was able to deepen my understanding of sustainability management and reconfirm the possibilities of NESIC's businesses and technologies. Workstyle innovation with an awareness of sustainability is rapidly gaining interest among customers, and we will provide them with our knowledge gained through self-implementation as we contribute to the realization of a society where work is comfortable and rewarding.

Environment

Disclosures Based on TCFD Recommendations

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

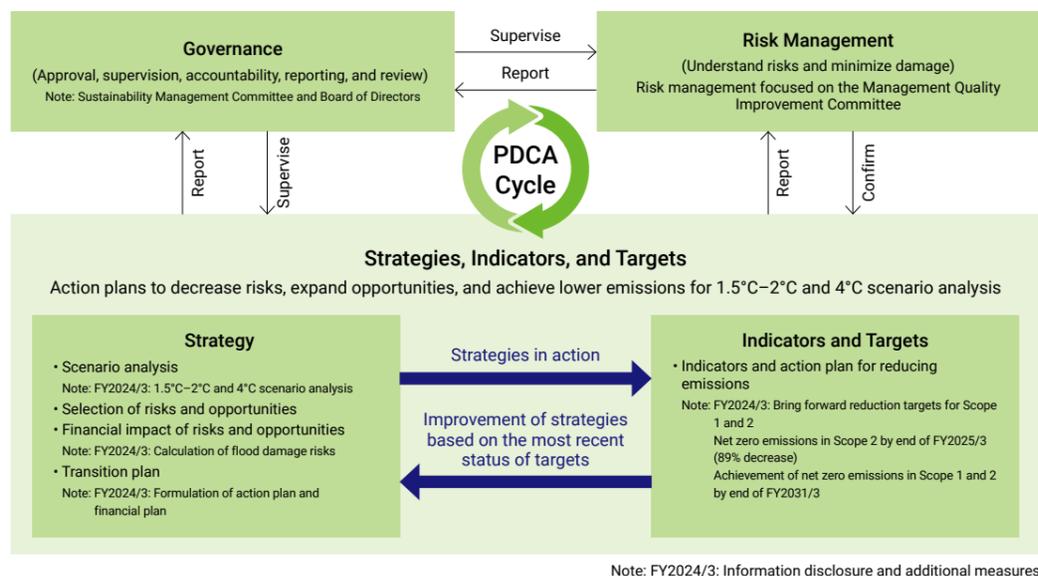
As greenhouse gas (GHG) emissions from the supply chain (Scope 3) are overwhelmingly greater than GHG emissions from NESIC (Scope 1, 2), we are pursuing reductions throughout the supply chain.

We completed approximate calculations for the applicable Scope 3 categories for the fiscal year ended March 31, 2023 and received third-party verification in February 2023. We will continue to lower Scope 1 and 2 emissions, promoting thorough visualization and refinement of Scope 3 and promote emissions reductions throughout the supply chain.

In addition to endorsing the Task Force on Climate-related Financial Disclosures (TCFD), we have also joined the TCFD Consortium to exchange information with other companies and financial institutions that endorse its recommendations. Additionally, we will contribute to carbon neutrality with the aim of realizing a sustainable society by participating in the GX League Basic Concept organized by the Ministry of Economy, Trade and Industry of Japan, which aims to promote the commercialization and popularization of decarbonization technology and other measures, as well as participating in the Carbon to X (C2X) open innovation business platform and promoting the creation of climate change-responsive businesses.

From the fiscal year ending March 31, 2024, we are accelerating Groupwide business development by launching our Carbon Neutral Business Promotion Project.

Outline of TCFD at NESIC



Governance

NESIC views climate change and other environmental issues as critical for promoting sustainability management and realizing our vision of an inclusive and sustainable society created through communications.

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 Executive 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. Outside director and others with a deep connection with sustainability attend Sustainability Management Committee meetings as observers. They report the results of deliberations 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.

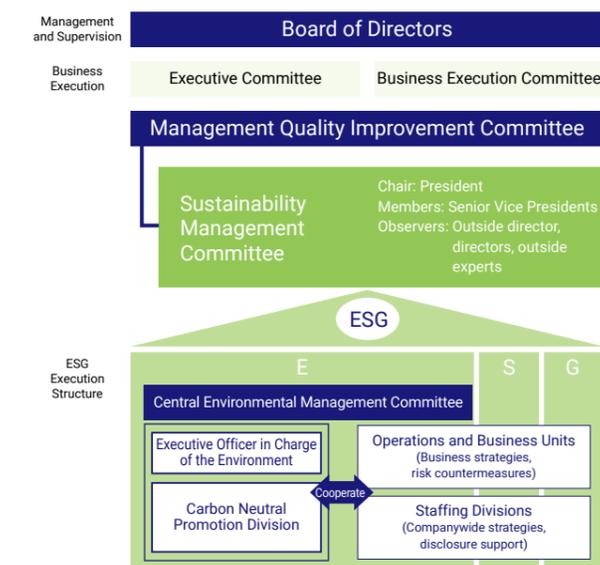
Since adapting to sustainability management and climate change are key issues for management decision-making in business activities, we are formulating environmental policies based on the responsibilities of the President and Chief Executive Officer. Based on these policies, we are engaged in reducing our impact on the environment and risks and expanding contributions through business activities. The Central Environmental Management Committee, which handles themes within the Sustainability Management Committee, is chaired by the Executive Officer in Charge of the Environment and conducts discussions related to key items, such as medium- to long-term target formulation and investment related to energy

conservation, for promotion under environmental management. The Sustainability Management Committee discusses proposals that are judged to have a significant impact on business (including vision, medium-term management strategies, and major investments) 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 our 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.

Companywide Promotion and Governance Structure for Climate Change



Strategy

Scenario Analysis

To understand the impact of climate change on our business and identify climate-related opportunities and risks, we implemented the following analysis for various scenarios, referred to

as NEC Group assumptions regarding decarbonization scenarios in Japan, 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 Intergovernmental Panel on Climate Change (IPCC) RCP1.9 and RCP2.6 SSP1-1.9 and SSP1-2.6	Scenarios that predict climate change according to the Intergovernmental Panel on Climate Change (IPCC) RCP8.5 SSP5-8.5

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

We conduct scenario analyses through Companywide discussions in collaboration with the environmental, planning, and public relations departments, and business divisions.

In particular, discussions resulted in the prediction that bold measures and technology innovations will be promoted under the 1.5°C-2°C scenario in the transition to a decarbonized society. Regarding transition risks, we analyzed that issues including the rising cost of energy, increasing raw material prices, and difficulties in procuring materials would become apparent.

Under the 4°C scenario, basic risks and opportunities would be the same but physical risks, such as the occurrence and

increased severity of heavy rains and flooding, recovery measures for customer facilities, and increasing frequency of damage, will be relatively higher.

Meanwhile, we recognize increasing needs across society for GHG emission reductions and renewable energy in its move toward decarbonization as an opportunity for NESIC to provide various ICT services that contribute to carbon neutrality.

We are reporting the results of carrying out analysis and evaluation regarding the details and amount of impact for each risk, our response to risks, and subsequent opportunities for growth as follows.

Main Climate Change-Related Risks

Definition of Financial Impact and Timeline

Financial impact: No impact expected → Negative impact predicted → Timeline: Short term (2024) Medium term (2030) Long term (2050)
 Scope for calculations: Non-consolidated

Category	Main risks	Main initiatives	Timeline / Impact	1.5°C-2°C Scenario		4°C Scenario	
				Short term (FY2025/3)	Medium term (FY2031/3)	Short term (FY2025/3)	Medium term (FY2031/3)
Government policies and laws	• Cost increases due to higher prices and lower	• Reducing power consumption through office and workstyle innovation, procuring energy through in-house PPA* (transition plan and action plan 1-4)	Medium term / Medium	→	→	→	→
Markets and ratings	• Loss of business opportunities due to inability to meet customer and supply chain demands • Supplies of materials such as semiconductors, resins and steel, leading to difficulties in obtaining components and materials	• Encouraging suppliers • Implementing sustainability activities throughout the supply chain to secure components and materials	Medium term / Medium	→	→	→	→
Physical risks	• Risk of credibility loss and litigation due to delays or inadequate responses to the restoration of customer facilities 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	• 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)	Long term / Medium	Less than ¥230 million →	Less than ¥700 million →	¥700 million →	¥2,120 million →
	• Heat stroke during outdoor work, increased health risks for employees due to high temperatures, and decreased outdoor work productivity	• Utilizing robots for remote operations • Managing workers' physical condition using wearable devices	Long term / Medium	→	→	→	→

* PPA: Power Purchase Agreement

[Summary of Main Risks]

- Regarding government policies and laws, we expect a negative financial impact under the 4°C scenario due to the increase in energy costs following rising energy resource prices, such as those for natural gas and crude oil.
- Regarding markets and ratings, we expect a negative financial impact under the 1.5°C-2°C scenario and 4°C scenario due to the anticipated loss of business opportunities, as a result of being unable to meet customer and supply chain demands in each business division and difficulties in procuring materials when providing products and services.
- Regarding physical risks, we expect a negative financial impact of decreased sales due to suspension of business based on the occurrence of large-scale disasters and natural disasters resulting from climate change. Additionally, we expect a negative financial impact due to a decrease in outdoor work productivity amid rising temperatures and an increase in outsourcing expenses as a result of fewer daytime working hours.

[Summary of Financial Impact Calculations]

Government policies and laws

Financial impact is qualitatively disclosed as the difference in cost for natural gas and crude oil in 2021 and 2030 under the World Energy Outlook 2022 Stated Policies Scenario (STEPS) with the assumption that there is no change between energy usage in 2021 and 2030.

Markets and ratings

We expect increases in procurement costs in 2030 under both the 1.5°C-2°C scenario and 4°C scenario due to increase in demand for semiconductors and rising overseas procurement costs following competition to secure suppliers. Accordingly, the results of anticipated negative financial impact are qualitatively disclosed.

Physical risks

The amount of damage due to business suspension, such as that caused by flooding, is calculated based on methods from the Manual for Economic Evaluation of Flood Control Investment provided by the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The total amount multiplied by the amount of value added per person is quantitatively disclosed as a negative financial impact after calculating the number of days of business suspension due to water damage, the flooding frequency rate, and the correction factor for each office under the 1.5°C scenario and 4°C scenario.

The amount of financial impact is calculated for the parent company on a non-consolidated basis and is based on data from the fiscal year ended March 31, 2023. Furthermore, the results of heatstroke during outdoor work, increased health risks for employees due to high temperatures, and decreased outdoor work productivity are qualitatively disclosed as anticipated negative financial impacts under the 4°C scenario. This is because we expect an increase in outsourcing expenses for outdoor operations due to a rise in days with temperatures above 30°C.

Main Climate Change-Related Opportunities

Definition of Financial Impact and Timeline

Financial impact: Positive impact predicted → No impact expected → Timeline: Short term (2024) Medium term (2030) Long term (2050)
 Scope for calculations: Non-consolidated

Category	Main risks	Main initiatives	Timeline / Impact	1.5°C-2°C Scenario		4°C Scenario	
				Short term (FY2025/3)	Medium term (FY2031/3)	Short term (FY2025/3)	Medium term (FY2031/3)
DX Solutions Business	Markets / Resilience	• In line with the rapidly growing need for decarbonization measures as a management issue, demand and opportunities are expanding for solution services that include workstyle and business process innovations and ICT management based on DX, local 5G, IoT, and other ICT, and there is an increasing need for AI, IoT, and digital technology	Medium term / High	→	→	→	→
Network Solutions Business	• Demand and opportunities are expanding for energy saving and enhanced resilience in carrier and public 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 with regard to environmental observation and disaster prediction using satellite imagery and other analysis methods	• Promoting businesses and managed services that utilize the Symphonict platform aimed at improving efficiency, visibility, and productivity through the shift to DX (→P56 transition plans / action plan 2) • Enhancing recurring consulting services for potential customer issues through operational services • Strengthening and promoting the EmpoweredOffice business with the addition of carbon neutral measures to office, workstyle innovation and business process reforms (→P56 transition plans / action plan 2)	Medium term / High	→	→	→	→
Environmental & Social Solutions Business	• Expanding opportunities for business associated with the promotion of sustainable and resilient community development, including regional development and the Digital Garden City Nation concept • Increasing demand related to citizen safety and security, including disaster prevention and mitigation, expanding business opportunities on demand for renewable energy and diversified energy and new industries, including regional new electric power providers • Demand and opportunities are expanding for stable supplies of fishery resources unaffected by rising sea temperatures and reductions in GHG emissions during transportation through local production for local consumption	• Participating in demonstration projects, strengthening market and business developments through co-creation with partners in the energy and community development fields (→P56 transition plans / action plan 6 and 9) • Providing clean energy in response to renewable energy demands (solar power and storage batteries), promoting regional new electric providers, EV infrastructure, and managed electricity businesses (→P56 transition plans / action plan 1 and 7) • Strengthening R&D on advanced technologies that contribute to carbon neutrality, including data centers utilizing liquid immersion cooling technologies and market development through customer partnering (→P56 transition plans / action plan 3) • Promoting in-house commercialization of onshore fish farming and enhancing business development through co-creation with leading local companies	Medium term / High	→	→	→	→

Summary of Main Opportunities

- Under the 1.5°C–2°C scenario, main opportunities related to climate change are expected to have a positive financial impact on each business.
- Under the 4°C scenario, a main opportunity related to climate change is that, in terms of the increase in burden, providing the same services will result in no financial impact.

[Summary of Financial Impact Calculations]

- Under the 1.5°C–2°C scenario, main opportunities related to climate change are the prediction of financial impact based on the past compound annual growth rate (CAGR) of each business and the net sales of business applicable to climate change.
- Under this scenario, due to business environment fluctuations and other factors, changes in CAGR may result in changes to the financial impact of opportunities.

Transition Plans

• Approach to Transition Plans

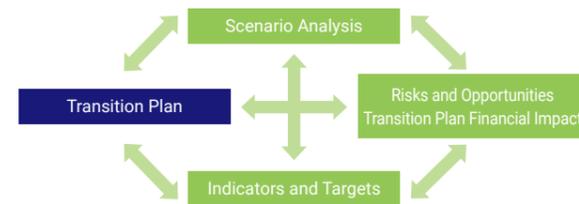
NESIC's approach to transition plans encompasses TCFD-related scenario analysis, risks and opportunities, financial impact, and disclosure of indicators and targets and interrelated items.

This will result in changes to risks, opportunities, and financial analysis through continuous improvement of scenario analysis, changes to established targets of transition plans, and changes to indicators and targets.

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

FY2023/3	FY2024/3	FY2025/3
Formulation of main opportunities related to climate change	Formulation of transition plan (action plan and financial plan)	Setting of quantitative KPI indicators (sales targets and growth investment)

Connectivity Between Transition Plans and Other TCFD Items



[Transition Plans]

- NESIC is formulating transition plans to achieve targets for reducing greenhouse gas emissions by 2030 based on financial impact and scenario analysis of TCFD risks and opportunities.
- We will implement measures for achieving net zero in 2050 based on action plans and financial plans in 2030, while and reducing risks and increasing opportunities.

Category	Action Plan
Markets	<ol style="list-style-type: none"> 1. Expand businesses such as clean energy services for renewable energy market through on-site and off-site PPA 2. 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 3. Expand environmental management-style services by integrating facilities with energy, such as next-generation data centers that utilize liquid immersion cooling technologies 4. Expand business opportunities in line with increased demand for offshore wind power generation in response to needs for renewable energy
Resilience	<ol style="list-style-type: none"> 5. Expand disaster countermeasures business in response to increasing severity of natural disasters 6. Expand business opportunities to promote sustainable and resilient recycling-based community development through IT and DX solutions 7. Promote smart disaster prevention and mitigation businesses, from design and construction, to maintenance and operational support 8. Expand demand and opportunities for energy saving and enhanced resilience infrastructure facilities 9. Expand opportunities for business associated with promotion of sustainable and resilient community development in response to smart cities concept

Category	Financial Plan
Growth Investment	<ol style="list-style-type: none"> 1. Self-implementation and growth investments in in-house permeation by the Carbon Neutral Promotion Division 2. Growth investments in business opportunities due to climate change for each business division
Capital Investment	<ol style="list-style-type: none"> 3. Capital investment, such as in green energy generation and off-site PPA that utilize solar power generation, to achieve targets for reducing greenhouse gas emissions 4. Capital investment to promote the introduction of the shift to EVs for NESIC-owned vehicles (including charging equipment and other ancillary facilities)

Risk Management

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 have 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 are bringing forward our targets for reducing Scope 1 and 2

CO₂ emissions to fulfill our responsibility and further accelerate our contribution to responding to climate change.

For Scope 3, we will continue refining data on CO₂ emissions by engaging with the supply chain and set targets for reducing emissions in the fiscal year ending March 31, 2024.

Major KPI Targets and Status of Achievement

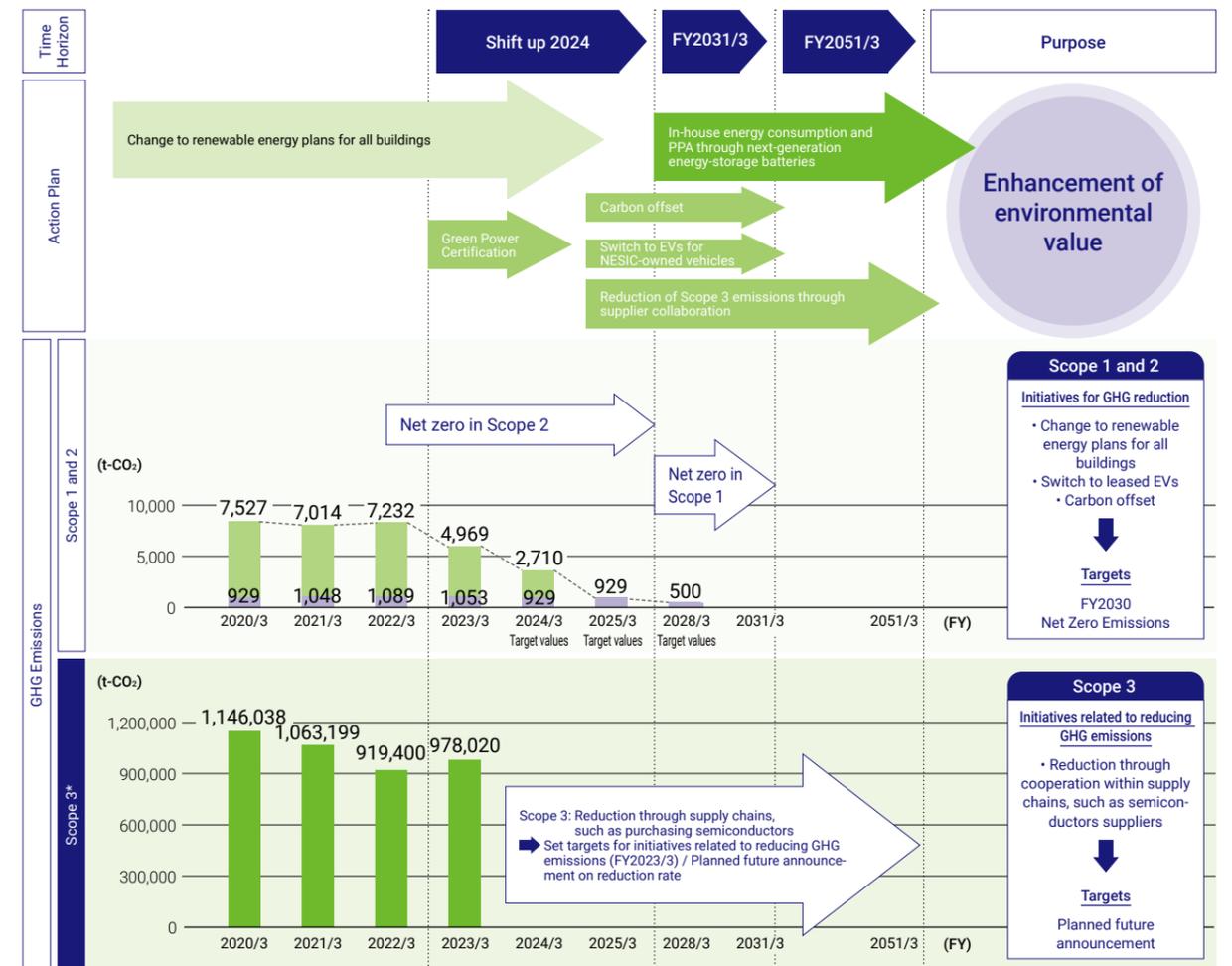
	Reduction Targets (Compared with FY2020/3) and Results		Notes
Scope 1 and 2	-40% (FY2023/3)	→ -24% (Reduction results)	
	-55% (FY2031/3)	→ -89% (FY2025/3)	As of FY2025/3 Achieve net zero in Scope 2
	-100% (FY2051/3)	→ -100% (FY2031/3)	As of FY2031/3 Achieve net zero in Scope 1 and 2

[Growth Strategy Targets]

Management strategies that incorporate the medium-term management plan Shift up 2024

* Sustainable Symphonic Society

Greenhouse Gas (GHG) Emissions and Our Actions for and Purpose of Their Reduction



* 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.

Social

Human Capital Initiatives

Basic Approach to Human Resource Strategies

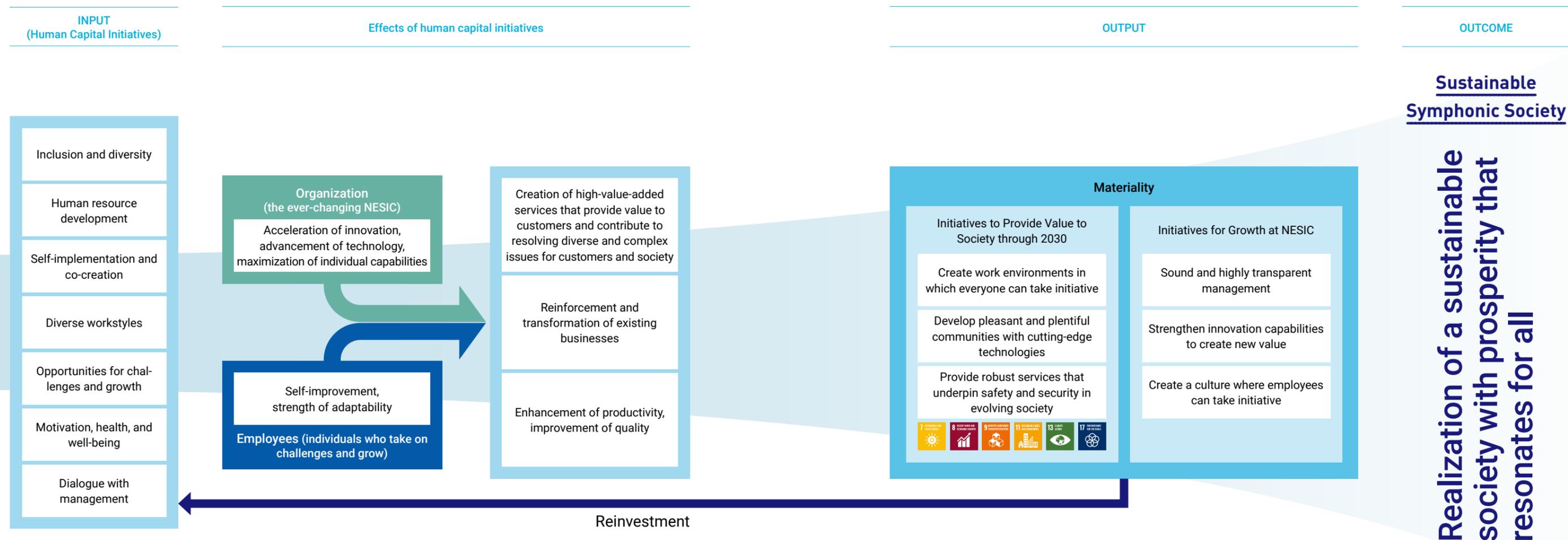
NESIC has adopted the target of realizing a sustainable and inclusive society created through communications and aims to sustainably grow and develop together with society and our customers. The source of this value creation is our human resources.

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.

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 while feeling work satisfaction.

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

Link Between Human Capital Initiatives and Management Strategies



Related Indicators

Ratio of women in management positions / Employment of people with disabilities / Number of mid-career hires and people with foreign nationalities	Number of attendees to psychological safety seminars / In-house survey on psychological safety	Advanced human resources	Ratio of paid leave taken
Number of proposals for pitch competition	Number of town hall meetings and nationwide caravans to explanation of business policies	Number of employees holding Japan Master of Health Literacy Test qualification	Engagement score

Evaluations from Outside NESIC

Psychological Safety Award 2023 	5th Platinum Career Award 	1st WELLBEING AWARDS 	Certified Health and Productivity Management Outstanding Organization 2023
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Human Capital Initiatives

Accelerating Innovation, Advancing Technology, and Maximizing Individual Capabilities

Inclusion and Diversity

● Maintaining and Promoting Diversity

To continue growing sustainably even in a rapidly changing business environment, we are promoting inclusion and diversity initiatives based on the idea that it is important for employees with diverse personalities exchange opinions in an open and lively manner and fully demonstrate their capabilities.

Under the Inclusion & Diversity Promotion Committee, which is established Companywide, we promote the exchange of opinions and examination of systems to advance various employees, such as those with foreign nationalities, older employees, employees with disabilities, and female employees; career-building opportunities; and a culture of mutual respect.

In promoting the active participation of women, we are announcing our action plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and promoting systematic development and training for assistant manager and manager positions, as well as cross-organizational support and care that includes the introduction of a mentor system to encourage the next generation of women. Through these initiatives, we have acquired the highest grade of "Eruboshi" certification.



Highest-grade "Eruboshi" certification

Additionally, in maintaining diversity, such as in terms of expertise, experience, knowledge, and values, we have added the securing of immediate assets through mid-career hires to our recruitment policy, with a yearly hiring quota. We are implementing measures that leverage diverse viewpoints through proactive recruitment at the management level, such as functional managers, as well as continuing to secure expert human resources.



● 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

Example Initiative: Promotion of Psychological Safety

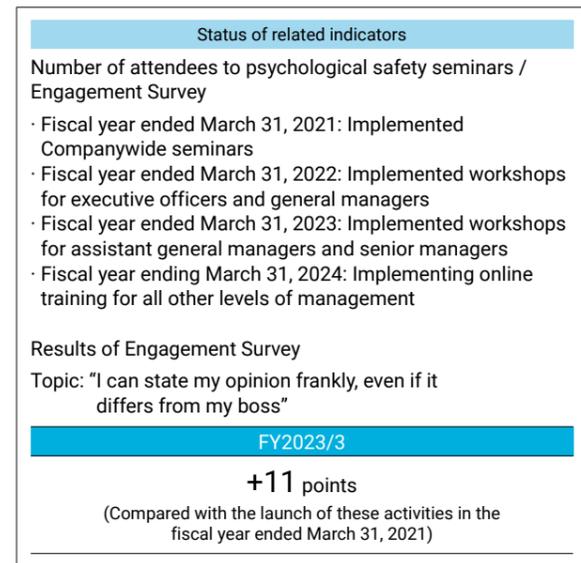
In addition to having diverse human resources, we are working with management to promote workshops and training related to psychological safety for employees, regardless of position or experience, to exchange opinions frankly and comfortably and understand the importance of constructive conflict of opinions to achieve goals and change their behavior. Through such activities, we are creating an organization that can respond quickly and flexibly to changes in the business environment by enhancing employee engagement and autonomy, while accelerating innovation. This initiative has been well received outside NESIC and was awarded the Psychological Safety Awards 2023 "SILVER RING."



Psychological safety workshops



Psychological Safety Award 2023 "SILVER RING"



Human Resource Development

● The Ever-Changing NESIC × Individuals who Take on Challenges and Grow

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

NESIC will continue to change with the times, adopting a policy of developing individuals who take on challenges and grow as an essential part of that change, and supporting their autonomous career development.

Key Initiative: Development of Advanced Human Resources

Under the medium-term management plan Shift up 2024, NESIC will realize DX × Beyond 5G, which is nearing the social implementation stage, and provide higher social value. To achieve this, we will continue to acquire and develop diverse human resources with advanced expertise and accelerate initiatives in line with human resource strategies that support both the resolution of social issues and the growth of our business. We have positioned and prioritized the fostering of consulting personnel, DX professionals, and Beyond 5G network professionals as highly skilled personnel, reinforcing the development and acquisition of human resources. For consulting personnel, NESIC has been consolidating upstream consulting personnel in the Business Process Innovation Strategy Division established in April 2022, inviting external experts as coaches to develop human resources through actual proposal activities.

In the area of advanced DX technology, we regularly send personnel to our base in San Jose, California in an effort to develop and enrich human resources who will lead innovation through co-creation with startups and promote innovation through acquisition of advanced technologies. Furthermore, we are expanding level-based education systems and programs to

promote an increase in sophistication and efficiency in all processes, including among corporate staff members, in an effort to ensure all employees are DX natives. Education on areas of advanced technology, such as DX and next-generation networks, and core technology, is conducted by the Shin-Kawasaki Technical-Base. Through training in various technologies, we are reinforcing our capabilities in those areas.

Status of related indicators		
Advanced human resources	FY2023/3 Results	FY2025/3 Target
Consulting personnel	39	190
Advanced DX professionals	444	1,190
Beyond 5G professionals	1,216	1,580

Please refer to NESIC's SNS note for information about the activities of employees in San Jose.
Introduction of employees based in Silicon Valley
<https://note.nesic.co.jp/n/n7fbfac0058a6> (Japanese only)



Training at the Plug and Play Tech Center (PnP)

Self-Implementation and Co-Creation

NESIC launched workstyle innovation efforts ahead of other companies in 2007, creating various services through Companywide self-implementation and verifications. Based on these results, we have repeatedly improved systems, mechanisms and office environments. NESIC was among the first to introduce telework and distributed work practices companywide, with the results and knowledge gained from these demonstrations during the pandemic significantly contributing to the continuation of customer business activities and the resolution of customer issues.

We are actively engaging in the development of an environment that promotes co-creation of new values with customers. The new head office, relocation to which took place in March 2023, will be positioned as a venue for demonstrating the use of advanced networks, such as local 5G, and cutting-edge DX solutions. We will also create a new workstyle concept with an eye to 2030.

Furthermore, NESIC engages in open innovation through frank discussions and co-creation with customers, partner companies, and venture companies centered on the Nihonbashi Innovation-

Base, opened in 2020 as a hub for advanced technology demonstrations and innovation creation. We set up a showcase for resolving issues that consists of solutions to promote DX in local governments and for which we have been accepting customer tours.

We will accelerate innovation through self-implementation and co-creation to continue creating high-value-added services that contribute to resolving issues that are increasing in diversity and complexity.



Nihonbashi Innovation-Base

Human Capital Initiatives

Improving Autonomy and Strengthening Adaptability

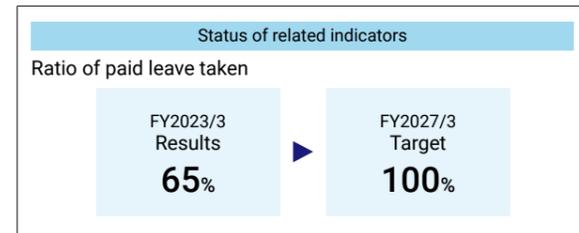
Systems and Frameworks That Realize Diverse Workstyles

We are investing efforts in the creation of an environment that realizes diverse workstyles.

In July 2017, we introduced telework throughout NESIC. From October 2019, we implemented a decentralized workstyle that combines working from home and commuting up to 30 minutes to satellite offices (activity bases) established at seven locations in the Tokyo metropolitan area. When the COVID-19 pandemic began, we implemented a hybrid workstyle that optimally combined remote and real locations that utilized our experience to date to balance business continuity and performance.

From March 2022, we also introduced a flex-time system without core working hours (super flex) and a system for taking paid leave in hourly increments.

By utilizing such diverse systems and frameworks, we are supporting the improvement of autonomy for each employee and creating an environment that enables each individual and team to further demonstrate their productivity.



Initiatives to Promote Challenges and Growth

• Career Autonomy

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

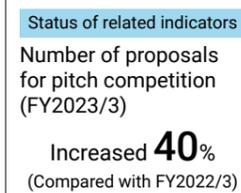
- Education system that enables employees to acquire the skills and mindset necessary for each level of employment, from new employees to management
- Personnel recruitment system and “job challenge” system that enables employees to transfer to their preferred department
- In-house dual employment system that aims to encourage voluntary participation in Companywide projects
- Efficient reskilling support through implementation of career assessment for all employees that visualizes behavioral characteristics, strengths, and points to reinforce
- Introduction of training service that enables personalization, making it possible to freely select and participate in over 16,600 courses

Example Initiative: Pitch Competition for All Employees, Regardless of Experience and Position

We are implementing a pitch competition for new businesses as an opportunity to take on challenges and grow, both organizationally and individually, through business creation. We strive to promote a corporate culture that encourages each and every employee to change and to embrace new challenges, which is one of our materiality issues, by developing outgoing employees who are willing to take on new challenges, regardless of age, experience, or position and whether they are in fields unrelated to existing businesses. In the fiscal year ended March 31, 2023, the number of proposals increased compared to the previous fiscal year, showing that each initiative related to career autonomy was successful.



5th Platinum Career Award



iSTOXX MUTB Japan Platinum Career 150 Index



iSTOXX MUTB Japan Platinum Career 150 Index

We were evaluated for various initiatives that promote taking on such challenges and growth and won the at the 5th Platinum Career Award “Excellence Award” held by Mitsubishi Research Institute, Inc. Additionally, we were selected for the iSTOXX MUTB Japan Platinum Career 150 Index, comprising 150 Japanese companies that actively and continuously carried out platinum career initiatives, that was jointly developed by Mitsubishi UFJ Trust and Banking Corporation and STOXX Ltd.

Through such initiatives, we aim to improve the autonomy and spirit of challenge for each employee and contribute to the resolution of social issues by connecting the education and skills acquired through methods including reskilling to the creation of even higher value-added services and solutions and reinforcement of existing businesses.

Promotion of Health Management and Well-Being

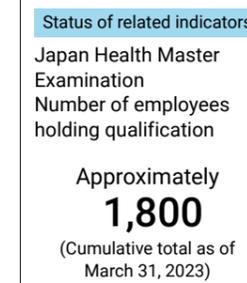
It is essential that employees remain healthy so that they can maximize their personal capabilities to achieve management strategies. We believe that employees and their families who acquire healthy habits and maintain and improve their health engender a state of physical, mental, and social fulfillment (well-being) that enriches their lives.

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.

These efforts have been recognized by external organizations, including selection as a Certified Health and Productivity Management Outstanding Organization in 2023 (White 500, large enterprises category).



Certified Health and Productivity Management Outstanding Organization 2023



Key Initiatives

- Support for quitting smoking
- Free cancer screening for applicable employees
- Initiatives to visualize health condition and change behavior
 - Distribution of wearable terminal for interested employees (approximately 2,800 as of April 2023)
 - Promotion of regular exercise and autonomous health management awareness through health management app
- Measures to improve health literacy
 - Promotion of participation in the Japan Health Master Examination conducted by the Japan Master of Health Literacy Test Association
 - Health-related seminars and training held by external experts and lecturers (Seminars about periods and male menopause held in FY2023/3)

Initiatives Aimed at Well-Being

We carry out various activities to promote the improvement of employee well-being, as stated in our materiality issues. To ensure that employees have a shared awareness and understanding of well-being, we have formulated the WellBGs, 11 themes to work on as a company, organization, and individuals, and are developing creative activities for their promotion.

These initiatives have been highly praised, and received the Gold Idea Award in the Organization/Department category at the 1st WELLBEING AWARDS held by The Asahi Shimbun Company.



1st WELLBEING AWARDS

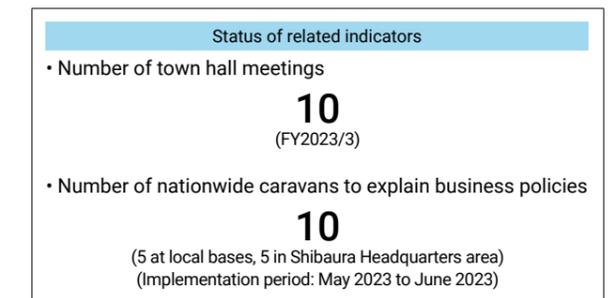
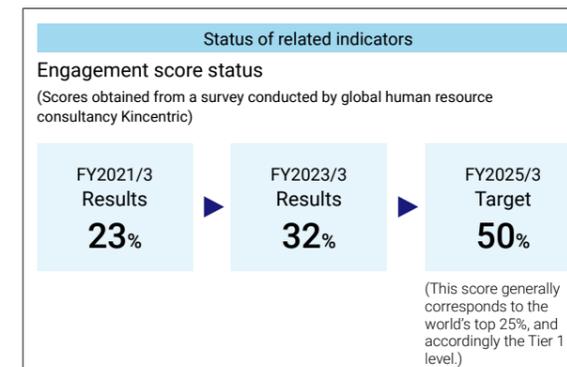
Toward a Better, Stronger Organization

We believe that it is vital to further reinforce the connection between NESIC and its employees by aligning Companywide vectors to create a better, stronger organization and sustainably grow and develop.

We are investing efforts in the creation of a forum for discussions to achieve this alignment, striving for diverse communications such as town hall meetings for open and natural

discussions between management and employees, and nationwide caravans to explain business policies. These forums also generate empathy for our vision and mission and foster a solid connection between NESIC and its employees, leading to the enhancement of our engagement score.

Going forward, we will accelerate all of our human capital-related initiatives to achieve our management strategies.



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.

Main Initiatives for Suppliers

- Business trend briefing (held once a year)
- Letter of appreciation ceremony (held once a year)
- Share business information at New Year meeting (held once a year)
- Key Partner Council meeting (held four times a year)
- Companywide safety conference (held once a year)
- Co-creation pitch events (held throughout the year)
- Raising awareness toward SDGs among key partners and supporting SDG education

Supply Chain Management

The NESIC Group requires all of its supply chain partners, including upstream suppliers, to act in a responsible manner. In specific terms, we address six key risks in cooperation with suppliers through each stage of contracting, awareness, self assessment questionnaires (SAQs), and on-site inspection.

• Contacts and Dissemination of Information

We obtain a Declaration Concerning Responsible Business Conduct in Supply Chains from suppliers, through which we ensure their performance and compliance. As of March 31, 2023,

the NESIC Group obtained declarations from suppliers accounting for 91% of procurement domestically and internationally.

• Self Assessment Questionnaires (SAQs)

Inspections are implemented according to sustainable procurement self-check sheets on the themes 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.

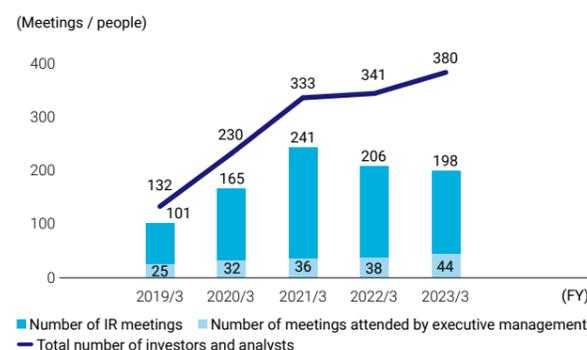
Communication with Shareholders and Investors

For 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. In June 2023, we newly established IR Day as an event for discussions with management of key segments.

We have created opportunities for discussion with investors and analysts about improvement in terms of both financial and non-financial business circumstances and information disclosure to enhance corporate value in addition to regular meetings to explain businesses and their results. Such PDCA activities led to NESIC's selection for the "Most Liked!" IR Award at the Best IR Award 2022 hosted by the Japan Investor Relations Association.

The opinions and requests received from regular meetings and other communications are reported to all executives, including independent directors and 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)



Opinions Received at Meetings with Investors and NESIC's Responses

Opinion

- We would like to see progress reports each fiscal year for the targets adopted under the medium-term management plan.
- I am unable to visualize new focus projects adopted under the plan, such as community development, and would like a concrete idea of what they are.

Response

- The progress of Groupwide financial and non-financial targets is published in our financial results and each report. Some targets have been updated based on progress and redefined to be more connected to strategy.
- IR Day has been launched to enable executive general managers to explain the progress of each segment in the medium-term management plan. We give explanations, including examples of initiatives, to ensure the understanding of what the business aims to be. However, we have received comments about a lack of quantitative explanations for each segment, which we will improve in the future.

Opinion

- It is important to reflect ESG factors in remuneration to ensure that business is conducted with a full commitment to ESG.

Response

- NESIC has decided to use non-financial indicators in addition to financial ones in director remuneration from the fiscal year ending March 31, 2024 for the purpose of further clarifying the connection between director remuneration and corporate value and incentivizing the achievement of targets for non-financial indicators under the medium-term management plan. (→P68)

Opinion

- We would like to see quantitative disclosure of the impact on performance brought on by risks and opportunities related to climate change to avoid misleading TCFD disclosures with only qualitative indicators.

Response

- Analysis of various scenarios has been implemented to understand the impact of climate change on business and substantiate the opportunities and risks related to climate. The impact amount of some risks is disclosed by reporting on the results of analysis and evaluation of our response to each risk and the accompanying opportunities for growth. (→P53-56)

Opinion

- I would like to see disclosure that quantitatively connects human capital, corporate value, and earnings growth.
- Investors ultimately require corporate value, and how human resource strategies are reflected in corporate value should be disclosed.

Response

- The Human Capital Initiatives section illustrates the connection between our human capital-related initiatives and management strategies. We explain the details of goals for each initiative connected to human resource strategies, namely human resource development and inclusion and diversity. (→P58-63)

Opinion

- We want an explanation of full-year financial results on the same day.
- There is too wide a gap over the Japanese Golden Week holiday between the announcement of financial results and briefings.

Response

- From the fiscal year ended March 31, 2023, we have brought forward full-year financial results briefings to the same day as their announcement. There are still issues with disclosing Japanese and English results on the same day, however we will work to improve this in the future.

Opinion

- If management is aware of capital costs, they should be thoroughly disclosed.
- I would like to hear about NESIC's awareness of capital costs and its approach to enhancing corporate value based on this awareness.

Response

- Explanation on management's approach to capital costs is provided by the Chief Financial Officer (CFO) in the Financial and Capital Strategy section. (→P38-41)

Governance

Corporate Governance

Basic Approach to Corporate Governance

We believe that enhancing corporate governance is critical for NESIC 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 to corporate governance.

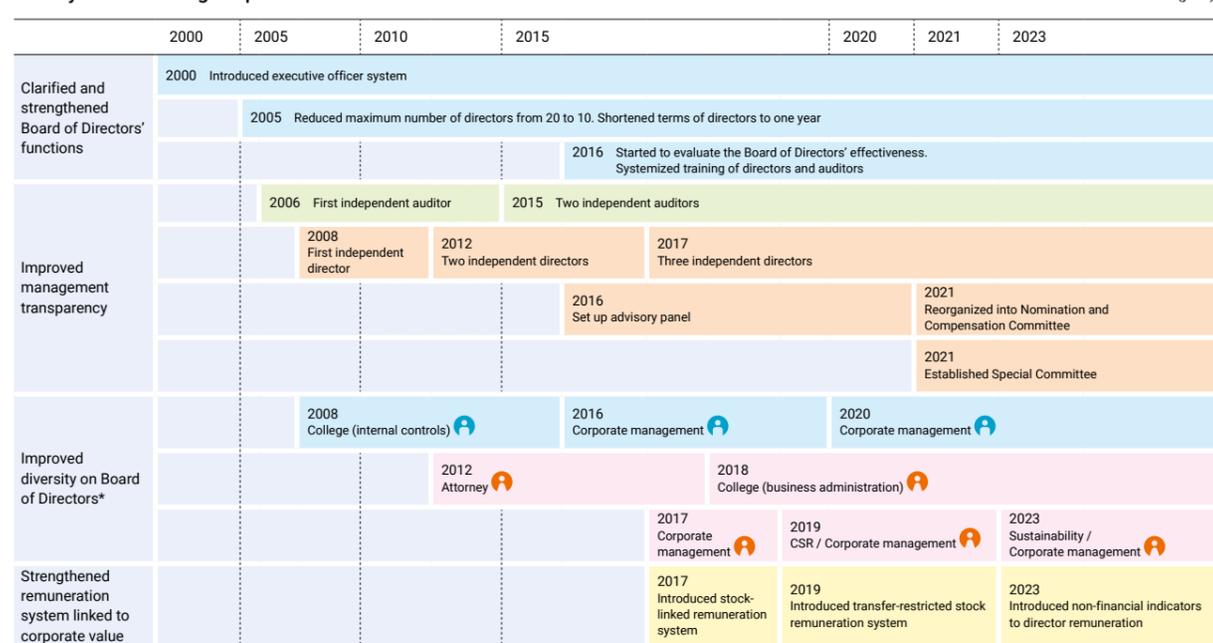
NESIC is able to benefit dually from being a member of the NEC Group and being a listed company on the stock exchange (→P68). We are therefore well aware of the importance of protecting the rights of general shareholders. Starting with the appointment of independent auditors in 2006, we have been increasing the number of independent directors and auditors.

The ratio of independent outside directors is currently one-third of the total number of directors. Candidates for the position of director are nominated with due consideration paid to diversity, such as their experience, knowledge, specialization, and gender. This structure facilitates active deliberations at meetings of the Board of Directors, and also decision-making based on its own business interests as an independent company.

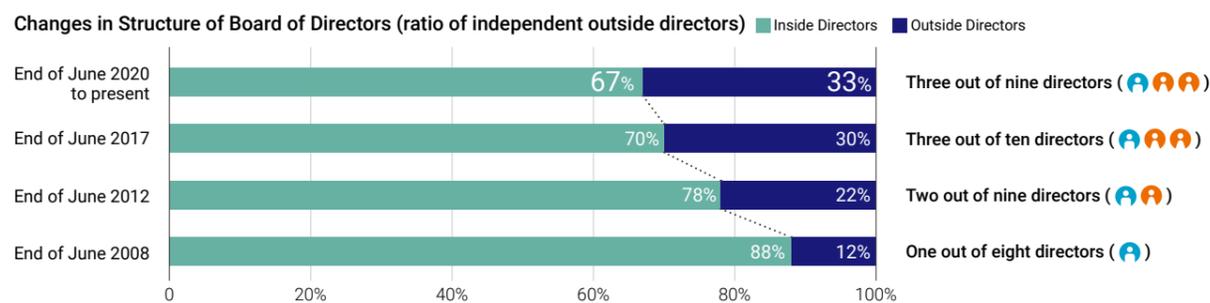
We have adopted the company with the Board of Corporate Auditors system. We consider that the advice of outside directors in the decision-making of important business execution and objective audits by corporate auditors from an independent standpoint are effective for sound management. In addition, the Nomination and Compensation Committee, chaired by an independent outside director and comprising a majority of independent outside directors, has been established to deliberate and examine the nomination and remuneration of directors from the viewpoint of ensuring transparency, validity, and objectivity. Moreover, NESIC has established the Special Committee, comprising solely independent outside directors, to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders in order to ensure independence from controlling shareholders and to protect the common interests of shareholders.

Starting with business execution that prioritizes compliance first and foremost, NESIC will examine and build an optimal corporate governance structure while listening to market demands.

History of Reinforcing Corporate Governance

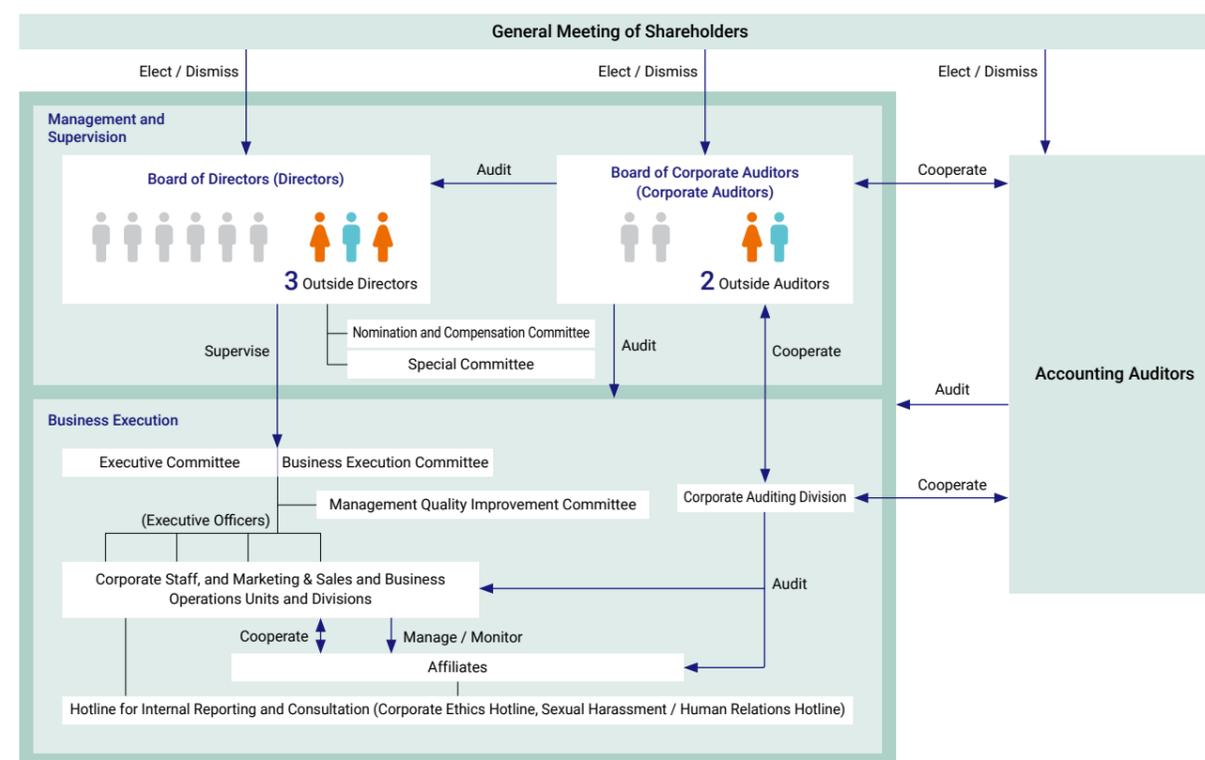


* Only for independent outside directors



NESIC's Business Execution, Management Oversight, and Internal Control Framework

Note: As of June 23, 2023



1 Directors and 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 venue for deepening discussions about the broader direction of corporate strategy, including the medium-term business plan. The term of directors is set at one year to clarify the management responsibilities of directors and strengthen the management structure.

2 Corporate Auditors and 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.

3 Executive Officers, Executive Committee, and Business Execution Committee

We have introduced an executive officer system to expedite business execution based on prompt decision-making and separate management supervision from business execution. NESIC has also formed the Executive Committee to discuss important matters related to corporate management and business execution, and this committee enhances the deliberations and ensures appropriate decision-making. The Business Execution Committee was set up to report on the status of our 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.

4 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 director 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.

- Matters concerning the personnel of the Board of Directors and the representative director
- Matters concerning the compensation and bonuses of directors and the representative director
- Matters concerning the personnel of the Board of Corporate Auditors
- Matters concerning the succession plan of directors, etc.
- Important matters concerning other personnel and compensation

No. of meetings held:

Four times a year (additional meetings are held as necessary)

Nomination and Compensation Committee Agenda

Period	Agenda
FY2022 First Meeting (May 31, 2022)	1. Chair of the Nomination and Compensation Committee from June 2022 2. Items related to director remuneration 3. Succession plan for the President
FY2022 Second Meeting (November 30, 2022)	1. Revision of independence standards of outside directors and outside auditors 2. Proposal for director and auditor system from June 2023 3. Succession plan for the President
FY2022 Third Meeting (January 30, 2023)	1. Director and auditor system from June 2023 2. Committee operations in the next fiscal year 3. Director remuneration that utilizes non-financial indicators (brief introduction plan)
FY2022 Fourth Meeting (March 29, 2023)	1. Confirmation of draft proposals for appointment of directors and auditors to be submitted at the General Meeting of Shareholders 2. Director remuneration that utilizes non-financial indicators (design for system)
FY2023 First Meeting (May 31, 2023)	1. Items regarding director remuneration 2. Director remuneration that utilizes non-financial indicators • KPIs for each indicator and method for reflection in bonuses

Corporate Governance

4 Nomination and Compensation Committee

New Initiatives

• Introduction of non-financial indicators to director remuneration
 NESIC has decided to use non-financial indicators in addition to financial ones in director remuneration from the fiscal year ending March 31, 2024 for the purpose of further clarifying the connection between director remuneration and corporate value and incentivizing the achievement of targets for non-financial indicators under the medium-term management plan. We have integrated targets adopted under the plan relating to greenhouse gas emissions, engagement score, and the ratio of women in management positions into performance-linked compensation (bonuses).

5 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)

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 among the services provided by NEC Group companies, and from being able to tap into recognition of the NEC brand and having access to business resources, such as technological capabilities and human resources. 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. With that said, however, NESIC is an independent listed company that engages in business while making business decisions on its own accord. This translates into credibility as a listed company from our customers and business partners, while improving the morale of our employees and making it easier to hire talented human resources.

With a wide range of products and services that go beyond NEC products, NESIC is able to create added value by providing solutions in tune with the needs of its customers and society. Independent businesses generate approximately 75% of net sales. In particular, one of NESIC's unique strengths is its provision of the NEC Group's relentless focus on quality to the development of multi-vendor services.

In order to benefit from advantages as a member of the NEC Group and as a listed company, NESIC must have systems in place for appropriately protecting the rights of minority shareholders. In transactions with the parent company, the Special Committee was established in the fiscal year ended March 31, 2022 comprising exclusively independent outside directors to deliberate and review material transactions or actions that conflict with the interests of minority shareholders. The committee confirms the status of major transactions with the NEC Group and holds pre-meeting discussions regarding important individual proposals, reporting the results to the Board of Directors.

The Special Committee decides whether business transactions with the NEC Group are verified to avoid conflicts of interest. This is accomplished by determining that business transactions with the parent company are based on proper negotiations while referencing prevailing market prices and that terms and conditions are on equal ground with other business partners.

As a listed company, NESIC engages in dialogue with shareholders and investors to keep their opinions and expectations in mind when managing business. We believe this effort makes NESIC stronger and leads to higher corporate value.

accounting, business management, sustainability management, and corporate governance.

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

Independent Outside Directors and Auditors

To further strengthen its corporate governance, since 2006, NESIC has sequentially nominated qualified independent directors and auditors who do not have any conflicts of interest with general shareholders. NESIC has a total of five independent directors and auditors, comprising three directors (out of nine directors) and two auditors (out of four auditors), who satisfy the requirements for independent directors and auditors, as defined by the Tokyo Stock Exchange. One third of its directors are independent outside directors and over 20% are women.

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

Name	Reason for Nomination	Main Concurrent Positions*2	Attendance during FY2023/3	
			Board of Directors	Board of Corporate Auditors
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 business administration as a whole, mainly researching M&A for corporate restructuring and serving as an instructor at a graduate school. The Company believes she will continue to be capable of playing an appropriate role in matters such as giving advice and providing supervision relating to management of the Company from an objective standpoint by making use of her extensive experience in finance and management, and has been appointed for these reasons.	· Associate Professor, School of Economics and Business Administration, Yokohama City University (scheduled to retire in August 2023) · Associate Professor, Graduate School of International Management, Yokohama City University (scheduled to retire in August 2023)	13/13	—
Mamoru Yoshida	After joining a major electrical appliance manufacturer, Mr. Mamoru Yoshida demonstrated excellent management skills and strategy building ability through his career as manager of various areas, including overseas business. He also served as a person in charge of technology and gained extensive knowledge and experience in technology management, manufacturing, marketing, etc. Since 2016, he had promoted corporate management governance reform as Senior Audit & Supervisory Board Member. The Company believes he will continue to be capable of playing an appropriate role in matters such as giving advice and providing supervision relating to management of the Company from an objective standpoint by making use of his manufacturing knowledge and extensive experience in corporate management, and has been appointed for these reasons.	—	12/13	—
Mikiko Morimoto*1	Ms. Mikiko Morimoto, after gaining experience in macroeconomic research and analysis and fund management at private companies such as private think tanks, and consulting in areas such as corporate and organizational sustainability, the promotion of SDGs, and ESG response, established a consulting company that provides comprehensive support for sustainability management, at which she serves as CEO. The Company believes she will be capable of playing an appropriate role in matters such as giving advice and providing supervision relating to management of the Company from an objective standpoint by making use of her experience in the economics and finance fields as well as her high level of knowledge in sustainability, and has been appointed for these reasons.	· CEO, karna ltd. · Outside Director, ITOHAM YONEKYU HOLDINGS INC. (scheduled to be appointed in June 2023)	—	—
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. The Company 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 has been appointed for these reasons.	· Partner, Tokyo Hatchobori Law Office	11/11	10/10
Koji Inagaki*1	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. The Company 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 has been appointed for these reasons.	· Certified public accountant	—	—

*1 Ms. Mikiko Morimoto was newly appointed as a director and Mr. Koji Inagaki as a corporate auditor at the 91st General Meeting of Shareholders held on June 23, 2023.

*2 Main concurrent positions are as of June 23, 2023.

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

We recognize that all members of the Board of Directors, including outside directors, must 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 dialogues. We are therefore taking the following steps to strengthen systems that support active deliberation at the Board of Directors' meetings.

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 auditors with the aim of enhancing deliberations by the Board of Directors. At these briefings, participants receive explanations of the agenda items before the Board of Directors and are updated on NESIC's current business execution. In addition to these venues for

independent directors and auditors to engage with NESIC, opportunities are provided for information to be exchanged among only the independent directors and auditors. Advice for the Company's management that was discussed at these exchanges is then passed onto the Representative Director and reflected in NESIC's management.

Moreover, to further improve their skills, all directors and auditors are given opportunities to obtain the necessary information and knowledge to management and to supervise management. Training sessions on the theme of management strategies and site visits were held in the fiscal year ended March 31, 2023. Independent directors and auditors have adequate access to information on NESIC's history, business outline, financial information, business strategy, business environment, competitive situation, and internal organizations.

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.

Headed by an independent outside director, the Nomination and Compensation Committee, which consists of a majority of independent outside directors, discusses nominations and voices their opinions. The Board of Directors deliberates on the agenda for nominating directors, and the Board of 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.

Message from a Newly Appointed Outside Director

I recognize NESIC's steady progress toward building a business foundation for the creation of new and unique value, leveraging strengths that include advanced communication technology and broad business areas, and looking at areas of growth from a long-term perspective based on management policies that welcome ever-changing culture while constantly anticipating the times ahead.

Amid dramatic changes in values and the social environment, and with the rapid popularization of new workstyles, an essential factor in realizing a sustainable society where everyone can work proactively is strengthening our capacity to resolve issues through the self-implementation that NESIC aims for under the medium-term management plan Shift up 2024. In conducting self-implementation, we must be able to develop a field in which diverse human resources can play an active role, and proactively carry out dialogues and engagement to connect to opportunities, in addition to the obvious pursuit of advanced governance and appropriate risk awareness.

I have supported companies in all aspects of sustainability, including the themes of ESG management, integrated thinking, the environment, human rights, and diversity, equity, and inclusion (DEI), through my experience working in the economics and finance domains at a think-tank and an asset management company and my management of a consulting company.

Maintaining a broad perspective to respond to the expectations of all diverse stakeholders, NESIC will strive to contribute not only to creating value for society but also its sustainable growth through constructive discussions with members of the Board of Directors.



Mikiko Morimoto
Outside Director

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.

Basic Policy on Director Remuneration
<Calculation Method for Remuneration>
(As of the Fiscal Year Ended March 31, 2023)

- 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 individual based on their rank and evaluation of performance. Growth in net sales and operating income is used in this calculation because they are key indicators for achieving NESIC's medium-term management plan. The base amount is equivalent to 40% of the bonus paid in the previous fiscal year multiplied by year-on-year growth in net sales, and 60% of the bonus paid in the previous fiscal year multiplied by year-on-year growth in operating income.

Indicator	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year growth
Net sales (¥ billion)	310.3	320.8	103.4%
Operating income (¥ billion)	23.2	22.8	98.1%

- 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.

<Decision-making process>
• 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.

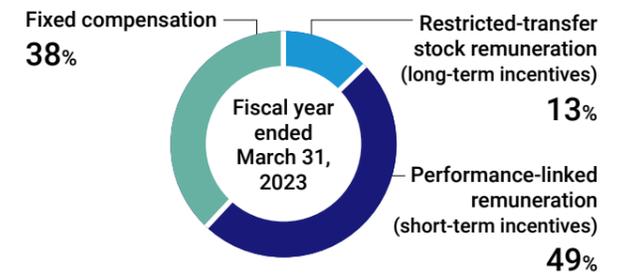
Individual compensation of directors for the fiscal year under review is determined based on the decision-making policy approved by the Board of Directors and by respecting the views of the Nomination and Compensation Committee, which comprises a majority of independent outside directors and is chaired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

compensation for the fiscal year under review is in line with the decision-making policy.
• 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 President and Representative Director Yushi Ushijima. 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 Auditor Remuneration in the Fiscal Year Ended March 31, 2023

	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	206	93	88	23	9
Outside directors	24	24	—	—	3
Auditors	44	44	—	—	5
Outside auditors	10	10	—	—	3
Total	250	137	88	23	14
	34	34	—	—	6

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 auditors).
 3. Directors (excluding directors in non-executive positions) receive bonuses as performance-linked compensation and stock with transfer restrictions as non-monetary compensation.

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, 2023, the Board of Directors' meeting held on May 2022 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, 2023)

Four listed companies	¥2,238 million
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Evaluation of the Board of Directors' Effectiveness

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. Below, we summarize the results of the effectiveness evaluation and the process of analysis conducted in the fiscal year ended March 31, 2023.

Improvement Activities Undertaken in Fiscal Year Ended March 31, 2023

In the fiscal year ended March 31, 2023, we aimed to enhance discussions related to the progress of the new medium-term management plan and discussions related to sustainability, carbon neutrality, and engagement, which we have adopted as non-financial targets under this plan. At the same time, NESIC took measures to strengthen its provision of information and support system in order to ensure appropriate monitoring of business execution and decision-making (held multiple discussions on key issues, enhanced the quality of preliminary briefings for the Board of Directors, and improved the swift provision and format of documentation to board members). Additionally, we considered measures to enhance the effectiveness of the Special Committee, which acts as an advisory body to the Board of Directors.

Effectiveness Evaluation in the Fiscal Year Ended March 31, 2023

(1) Analysis and evaluation process

The evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2023, consisted of a questionnaire given to all directors and 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 elicited 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.

(2) Summary of results of evaluation

The following is an overview of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023.

① Although the Board of Directors' discussions focus on "the roles and functions of NESIC's Board of Directors," which was formulated in accordance with the evaluation of the effectiveness for the fiscal year ended March 31, 2021, we must continue to review its operations in order to strengthen functions from this perspective.

② The following issues, which were identified in the evaluation of effectiveness in the previous fiscal year, showed overall improvement due to the implementation of planned countermeasures.

- Review the annual agenda for discussions, the methods for managing agenda items, and the format and content of reports from the standpoint of further demonstrating the roles and functions to be prioritized by the Board of Directors
- Analyze business strategy risks and operational risks and identify issues and countermeasures
- Strengthen discussions of the Nomination and Compensation Committee and Special Committee
- Strengthen provision of information and support system for ensuring appropriate monitoring of business execution and decision-making (continue to hold multiple discussions on key issues, review methods for providing briefings and materials in advance to board members and system for following up on matters raised at the Board of Directors' meetings, and improve the training program for all board members, etc.)

Based on these results, we believe the Board of Directors is operating appropriately and effectively.

(3) Future measures

To continue to improve the effectiveness of the Board of Directors, the following measures will be taken in the fiscal year ending March 31, 2024.

- Enhance discussions and examinations related reinforcing governance in the future (such as the role and function of the Board of Directors and skills required of directors)
- Formulate reports and agenda items for each key theme in the annual agenda for discussions and hold planned discussions. Additionally, enhance discussions by the Board of Directors through off-site meetings and discussions of key themes held by board members
- Aim to strengthen provision of information and support system for ensuring appropriate monitoring of business execution and decision-making (continue to hold multiple discussions on key issues, review methods for providing briefings and materials in advance to board members and system for following up on matters raised at the Board of Directors' meetings, and improve the training program for all board members, etc.)
- Set Group governance as a key risk for NESIC as a whole to be addressed and report the status of these activities to the Board of Directors

Matters for Discussion at the Board of Directors' Meetings

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 the preliminary meetings involving independent officers are included). In addition to matters for resolution and reporting, "matters for discussion" were established

in order to strengthen discussions on key matters concerning the business strategy and governance. During the year, discussions were also held on the evaluation of the effectiveness of the Board of Directors and engagement.

Period	Key Issues	Period	Key Issues
First Quarter	<ul style="list-style-type: none"> • Interim reports on the medium-term business plan (matter for resolution) • Reporting on the status of business execution (Business Design Operations Unit; matter for reporting) • Reporting of the status of cross-shareholdings (matter for reporting) • Proposals for disclosing information based on the Task Force on Climate-related Financial Disclosures (TCFD) (matter for reporting) • Submission of Corporate Governance Report (matter for reporting) • Reporting on the implementation of the Nomination and Compensation Committee (matter for reporting) 	Third Quarter	<ul style="list-style-type: none"> • Reporting on the status of business execution (Marketing & Sales Operations Unit, back office personnel, Business Design Operations Unit, and DX Solutions Business Unit; matter for reporting) • Status of initiatives related to sustainability promotion (matter for reporting) • Reporting on the implementation of the Nomination and Compensation Committee (matter for reporting)
Second Quarter	<ul style="list-style-type: none"> • Reporting on the status of business execution (DX Solutions Business Unit, Environmental & Social Solutions Business Unit, Network Solutions Business Unit, and Corporate Auditing Division; matter for reporting) 	Fourth Quarter	<ul style="list-style-type: none"> • Reporting on progress of the medium-term business plan (matter for reporting) • Reporting on the status of business execution (Environmental & Social Solutions Business Unit, Network Solutions Business Unit, Marketing & Sales Operations Unit, and Corporate Auditing Division; matter for reporting) • Carbon neutrality initiatives (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) • Reporting on the implementation of the Nomination and Compensation Committee (matter for reporting)

Directors & Corporate Auditors (As of June 23, 2023)

Directors



Yushi Ushijima
President (Representative Director) and Chief Executive Officer (CEO)



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



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



Michitaka Ono
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)



Toru Kawakubo
Member of the Board



Hiroto Sugahara
Member of the Board

Corporate Auditors



Naoki Iwasaki
Corporate Auditor (Full-Time)



Yohei Otani
Corporate Auditor (Full-Time)



Akiko Isohata
Corporate Auditor (Outside Auditor)



Koji Inagaki
Corporate Auditor (Outside Auditor)

Main Skills, Experience, and Expertise That NESIC Expects Of Members Of The Board And Corporate Auditors

Name	Independence	Particular area that NESIC expects for Directors and Corporate Auditors					
		Corporate Management	Technology	Sales and Marketing	Global	Finance and Accounting	Sustainability and ESG
Yushi Ushijima		●		●			●
Hiroyuki Sekizawa		●			●	●	●
Osamu Kikuchi			●	●	●		
Michitaka Ono		●	●	●	●		
Michiko Ashizawa	◎	●				●	●
Mamoru Yoshida	◎	●	●		●		●
Mikiko Morimoto	◎	●					●
Toru Kawakubo				●			
Hiroto Sugahara			●				●
Naoki Iwasaki						●	●
Yohei Otani							●
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.

Specific details of the skills, experience, and expertise expected of members of the board and corporate auditors

Item	Specific details
Corporate management	Experience in corporate management as a company representative, etc., or a high level of specialized knowledge in management strategy
Technology	Experience as a manager in the technology strategy field in relation to the business of the Company (Network Solutions Business, Environmental & Social Solutions Business, and DX Solutions Business)
Sales and marketing	Experience as a manager in business involving analysis of the business environment and market, as well as the formulation of business models, etc.
Global	Experience as a manager in corporate overseas business or as an executive, etc., at an overseas subsidiary
Finance and accounting	Experience as a manager involved in accounting and finance, practical experience as an accountant at an audit firm or accounting firm, or experience equivalent to this
Sustainability and ESG	Experience in corporate management strategy and policy proposals concerning sustainability, ESG, SDGs, etc., a high level of specialized knowledge in governance and risk management, etc., or experience as a corporate auditor or audit committee member

Corporate Data

Consolidated Ten-Year Summary

	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3		
Performance Indicators (Millions of yen)											(Thousands of U.S. dollars)*1	
Orders received	¥280,071	¥299,097	¥274,946	¥279,241	¥287,831	¥284,739	¥304,978	¥336,877	¥336,759	¥356,043	\$2,666,389	
Net sales	270,326	292,164	279,961	257,912	267,939	277,949	303,616	339,109	310,334	320,802	2,402,471	
Gross profit	44,690	48,110	45,162	42,585	44,265	47,681	54,374	63,929	63,473	66,545	498,352	
Operating income	14,418	16,158	14,111	9,974	11,057	12,774	16,245	25,563	23,181	22,751	170,381	
Operating income to net sales (%)	5.3	5.5	5.0	3.9	4.1	4.6	5.4	7.5	7.5	7.1	—	
Net income attributable to owners of the parent	8,257	7,791	5,996	6,549	7,357	8,885	9,422	15,745	15,021	13,813	103,444	
Financial Condition (Fiscal year-end) (Millions of yen)											(Thousands of U.S. dollars)*1	
Total assets*2	¥189,059	¥201,904	¥196,505	¥197,386	¥207,643	¥216,171	¥230,244	¥250,338	¥254,701	¥267,000	\$1,999,550	
Net assets	89,166	94,173	94,397	96,674	101,732	107,608	113,510	127,117	138,149	145,714	1,091,245	
Owner's equity	87,514	92,559	92,738	94,611	99,473	104,888	110,366	123,682	134,742	141,242	1,057,754	
Performance Indicators (Millions of yen)											(Thousands of U.S. dollars)*1	
Cash flows from operating activities	¥23,313	¥ 2,460	¥ 9,435	¥22,634	¥ 4,779	¥ 8,396	¥12,935	¥17,383	¥22,674	¥ 2,816	\$ 21,088	
Cash flows from investing activities	(5,504)	(3,929)	(2,822)	(2,697)	(2,802)	(5,604)	(6,726)	(4,289)	(7,162)	(4,934)	(36,950)	
Free cash flows	17,809	(1,469)	6,613	19,936	1,976	2,791	6,208	13,093	15,511	(2,117)	(15,854)	
Cash flows from financing activities	(3,824)	(4,127)	(1,402)	(4,144)	(4,366)	(5,615)	(2,300)	(2,388)	(4,267)	(9,243)	(69,220)	
Cash and cash equivalents at end of year	44,434	38,951	43,889	59,648	57,281	54,354	58,321	68,426	79,732	68,549	513,360	
Per-Share Indicators (Yen)*3											(Thousands of U.S. dollars)*1	
EPS	¥ 55.35	¥ 52.24	¥ 40.27	¥ 43.98	¥ 49.41	¥ 59.67	¥ 63.28	¥105.73	¥100.85	¥ 92.74	\$0.69	
BPS	586.69	621.54	622.75	635.34	668.01	704.40	741.12	830.47	904.66	948.23	7.10	
Cash dividends	20.0	21.3	23.3	24.0	24.7	26.0	27.3	35.0	43.0	46.0	0.34	
Key Indicators (%)												
ROE*4	9.6	8.7	6.5	7.0	7.6	8.7	8.8	13.5	11.6	10.0	—	
ROA*5	8.2	8.3	7.1	5.1	5.4	6.1	7.1	10.6	9.3	8.8	—	
Owner's equity ratio	46.3	45.8	47.2	47.9	47.8	48.5	47.9	49.4	52.9	52.9	—	
DOE ratio	3.5	3.5	3.8	3.8	3.8	3.8	3.8	4.5	5.0	5.0	—	
Payout ratio	36.1	40.8	57.9	54.6	49.9	43.6	43.2	33.1	42.6	49.6	—	
Other (Fiscal year-end)												
Number of employees	7,164	7,260	7,464	7,572	7,657	7,743	7,818	7,537	7,675	7,825	—	
Number of shares outstanding	49,773,807	49,773,807	49,773,807	49,773,807	49,773,807	49,773,807	49,773,807	149,321,421	149,321,421	149,321,421	—	

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133.53 = US\$1.00 as of March 31, 2023.

*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

Corporate Data

Stock Information (As of March 31, 2023)

Number of Shareholders	16,038
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)	12,035	8.08
Custody Bank of Japan, Ltd. (Trust account)	7,013	4.71
STATE STREET BANK AND TRUST COMPANY 510312	4,034	2.71
Sumitomo Realty & Development Co., Ltd.	3,600	2.42
STATE STREET BANK AND TRUST COMPANY 510311	3,269	2.20
Employees' Stock Ownership Plan	1,853	1.24
Morgan Stanley MUFG Securities Co., Ltd.	1,288	0.86
GOVERNMENT OF NORWAY	1,231	0.83

Notes:

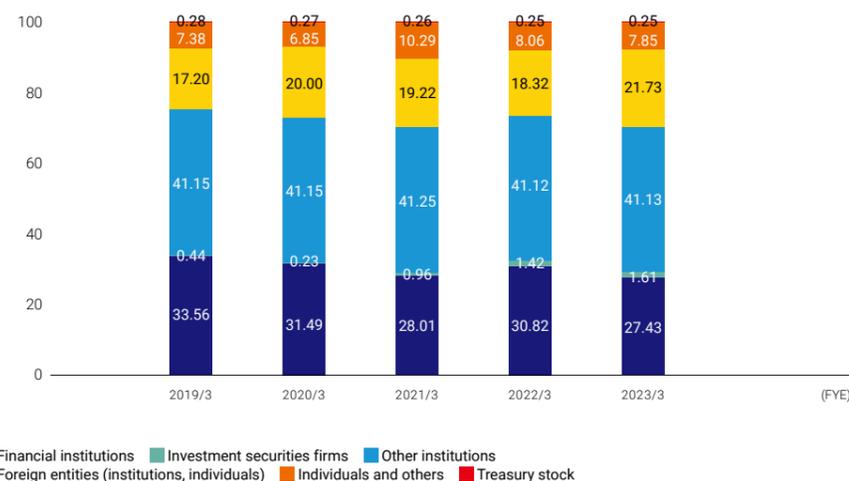
*1 Shares held Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account) give NEC Corporation material voting rights because NEC Corporation has contributed shares of NESIC to its retirement benefit trust. The percentage of material voting rights held by NEC Corporation as of March 31, 2023 was 51.41%.

*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 (366,954 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

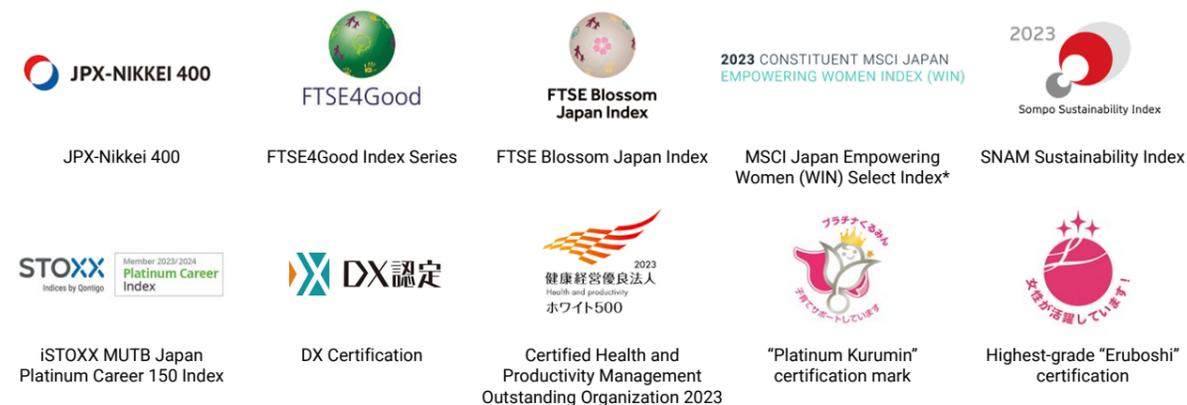
(%)



Corporate Overview (As of March 31, 2023)

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 <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.
Established	December 1, 1953	Overseas <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.
Registered as a Stock Company	November 26, 1953	
Capital	¥13,122,000,000	
Number of Employees	5,176 (Non-consolidated), 7,825 (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



* THE INCLUSION OF NEC Networks & System Integration Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEC Networks & System Integration Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Editorial Postscript

Thank you for reading to the end of Annual Report 2023. We have adopted a vision for realizing a sustainable society with prosperity that resonates for all, in other words, a "Sustainable Symphonic Society," by 2030. In this report, we disclosed our progress in Shift up 2024, which is a vital step in the achievement of this vision, and reported results from the first year of the plan and issues to be addressed for further growth going forward. Furthermore, we have made improvements to disseminate more valuable information based on requests from society and the opinions of our stakeholders regarding strategies for implementing sustainability management, including non-financial initiatives, such as further enhancing the disclosure of ESG information, namely our response to climate change and human capital initiatives. We will continue moving forward, further shifting up to realize our vision for society, and for NESIC.