

Shift up

Elevating society

NEC Networks & System Integration Corporation

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ANNUAL REPORT 2022

NEC Networks & System Integration Corporation



NEC Networks & System Integration Corporation (NESIC) has established its new medium-term management plan Shift up 2024, with its sights set on realizing a Sustainable Symphonic Society by 2030. Under Shift up 2024, 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) and Beyond 5G. In these ways, we will continue to strive to create new value for society.

Shift up 2024

Elevating society



Provide services that anticipate future changes in society and technologies

- Decarbonization
- Energetic communities
- Smart industry
- Work / lifestyles with greater freedom
- Safety and security
- Health Well-Being

Beyond Borders 2021

Our History

NESIC is a communication services orchestrator that is committed to realizing an inclusive and sustainable society created through communications. 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 communication technology (ICT) and built a unique position as a systems integrator with construction capabilities. In recent years, the Company 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. The Company 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

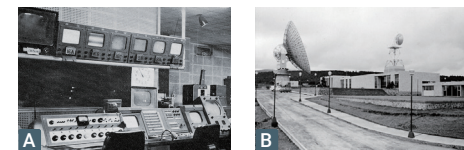
Alongside advances in technology, NESIC broadened its reach in the telecommunications infrastructure field to such areas as mobile base stations. The Company also expanded business to provide ICT to corporations by creating voice networks, enabling it to provide construction, system integration (SI), 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.

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



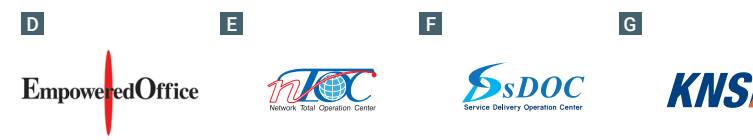
- Changed the company name to NEC System Integration & Construction, Ltd.
- Listed on the Tokyo Stock Exchange
- Strengthened sales structure for private sector by creating a specialized division
- Reinforced nationwide network by setting up a business unit for regional sales
- Business for New Common 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 work-style 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 Bunkyo Ward Tokyo (Iidabashi Head Office)
- 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 Companywide (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 work styles including distributed work locations
- Moved to the newly established prime market on Tokyo Stock Exchange, Inc.



Net Sales Over **¥10** billion 1974 Over **¥100** billion 1989 Over **¥200** billion 1997

Over **¥300** billion 2020

Changes in the Business Environment

1950s

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

1960s–1970s

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

1980s–1990s

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 networks
IoT and Fourth Industrial Revolution

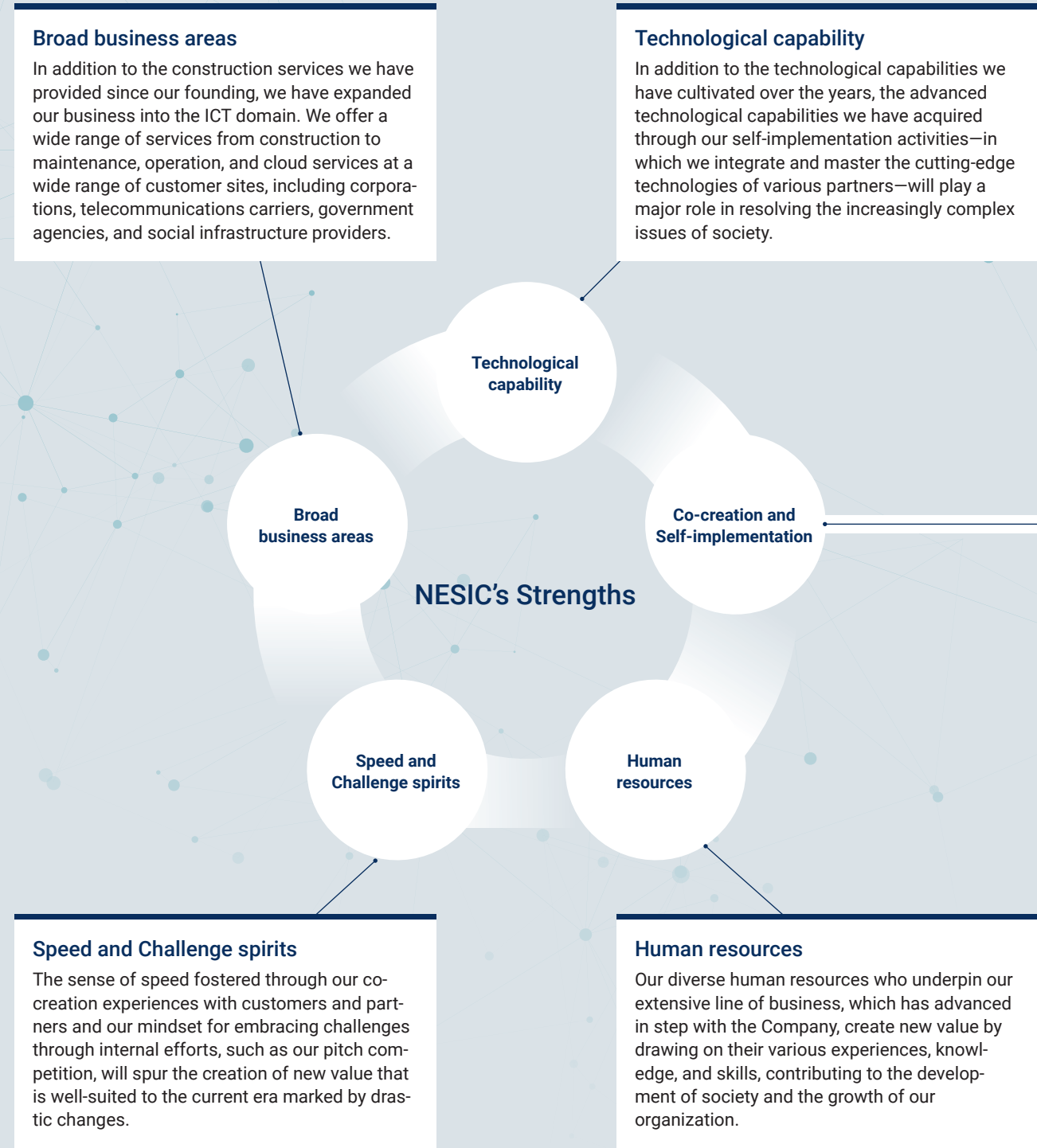
NESIC's Strengths

The changes in our internal and external business environment have changed 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 categories.

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 the Company 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.



Co-creation and Self-implementation

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



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Supplemental Information for Annual Report 2022

The following supplemental information for Annual Report 2022 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 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.

Annual Report 2022 was prepared based on our new medium-term management plan Shift up 2024, which covers the three-year period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. Under Shift up 2024, we will continue to transform as an organization and evolve our business model and our relationships with customers while working to realize DX × Beyond 5G, thereby creating new value for society.

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 result. We would greatly appreciate your opinions and suggestions after reading this report.

Period Covered

April 1, 2021 to March 31, 2022 (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

Contact

- Investor Relations
Responsible department: IR Group of the Corporate Finance & Controller Division

- Sustainability-Related Information
Responsible department: Corporate Communications 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 are contained in this report.

Note: Department names and job titles are accurate as of September 30, 2022.

Note: In publishing this report, we have taken the appropriate measures when conducting interviews and photo sessions to prevent the spread of COVID-19.

Regarding the Cover of Annual Report 2022

Based on our new medium-term management plan Shift up 2024, NESIC will continue to transform as an organization and evolve its business model and its relationships with customers while working to realize DX × Beyond 5G, thereby creating new value for society. This commitment of ours has been incorporated into the cover page design of Annual Report 2022. The cover depicts NESIC's dedication to realizing a sustainable and prosperous society, which it likes to call a "Sustainable Symphonic Society," through its creation in harmony with customers.





Yushi Ushijima

President and Chief Executive Officer (CEO)

In the coming era of DX and beyond 5G, we will ambitiously pursue new heights that are unlike extensions of the past.

Achievements and Challenges under the Previous Medium-Term Management Plan Beyond Borders 2021

Aiming to realize NESIC's vision for 2030, the major theme of our previous medium-term management plan Beyond Borders 2021 (FY2020/3 to FY2022/3), was to build a business foundation for further growth into our next medium-term management plan, a period in which we expect the full-scale arrival of the Digital × 5G era. To that end, we set out to go beyond the borders of our markets, technology, organization, performance, and other aspects of our business.

I was convinced that NESIC would become a strong and attractive company if its unique management resources were put to effective use. Therefore, when I became president, I declared that I would give the go-ahead to change everything other than “contributing to the betterment of society through communications technology,” a value that has been passed down through the generations since our founding, if that is what was necessary to realize our full potential. In implementing Beyond Borders 2021, we began by developing a framework to “tear down” the barriers of awareness that had been formed subconsciously by our employees. We newly established the Business Design Operations Unit to bring members who had been scattered throughout the Company together to discover new technologies and develop new businesses, as well as promote discussions from a Companywide perspective and the integration of management resources. In order to consolidate similar technologies and concentrate management resources in the digital and 5G fields, the Company was reorganized into function-specific business units. In

these ways, I have developed a foundation for maximizing the use of resources throughout the organization by overcoming its boundaries and communicating, in my own words, our commitment to becoming a “No. 1 communications company” that encourages open and lively discussions across all divisions and positions within the Company. In addition to the fact that we are a communications company, this reflects the importance of co-creation on generating innovation through our close communication within and outside the Company, including with our various business partners.

Beyond Borders 2021 was highly successful in capturing the changes in society that have been triggered by COVID-19. In the digital domain, one of the focus areas of our business, we launched Symphonict and provided a range of solutions based on this DX brand while developing new businesses and expanding our DX business through our co-creation and self-implementation business model. DX orders have more than quadrupled from ¥6 billion in FY2020/3 to ¥27.5 billion in FY2022/3 and our recognition has grown, gaining new customers as a result of the increasing trend toward telework. In the area of 5G, the other pillar of our growth strategy, we strengthened our relationship with telecommunications carriers to become strategic partners and stepped up the pace of demonstration experiments for local 5G services with a view to resolving social issues. We have also enhanced the platform for strengthening focus areas through the establishment of the Shin-Kawasaki Technical-Base and the 5G Lab, as well as the Nihonbashi Innovation-Base, where we train engineers and conduct demonstration experiments with business partners. Through the implementation of an ambitious workstyle called distributed work, we are beginning to see the entire organization,

including the head office staff, work collectively to deliver DX solutions to our customers.

In FY2022/3, the final fiscal year of Beyond Borders 2021, profits declined due to the absence of temporary demand related to the GIGA School Program in the previous fiscal year as well as other unexpected events, such as the semiconductor and material shortages and the loss recorded on a Myanmar project. Regardless, we concluded Beyond Borders 2021 by eclipsing our targets and overcoming our performance barriers.

The main reason behind the success of our previous medium-term management plan is the change in the mindsets of our employees who now understand the joy of transcending borders in order to become the type of company we aspire to be and embrace new challenges with confidence.

However, this change in mindset has yet to exist in all of our employees, and we must be in a position to continue to make new changes and not be content with the changes that have been made to date. This, I believe, is the biggest challenge that awaits us. In terms of the mindset of our employees, we must break free from our passive stance of constantly meeting customers' needs and exceeding their expectations, which stems from our long history in infrastructure development. Instead, we must switch to a more active mindset that anticipates and identifies the issues facing customers and society and propose solutions to such issues. This is the defining feature of our new medium-term management plan.

**New Medium-Term Management Plan
Shift up 2024**

Our new medium-term management plan Shift up 2024, is our second stage along the road to 2030.

The role of companies in addressing social issues, such as the declining birthrate and aging population and the resulting decrease in the working population as well as the depopulation of rural areas and digital divide, continues to increase in significance as we work to realize the Sustainable Development Goals (SDGs) by 2030. Meanwhile, the use of digital technology in society has advanced rapidly over the past three years and this, combined with the development of 5G and other forms of

next-generation network technology, has expanded the possibilities for resolving social issues through technology.

With a view to 2030 and as a “communication services orchestrator,” NESIC will optimally combine its DX and Beyond 5G (next-generation networks) and expand the scope of the value it provides from the conventional “ways of working” to “ways of living,” thereby creating unique value through the development of carbon-free and vibrant communities and the realization of more flexible workstyles and lifestyles. What we foresee beyond that is a sustainable society with prosperity that resonates for all, or in other words, a “Sustainable Symphonic Society.”

We will not evolve as an organization if our new medium-term management plan is perceived as an extension of our previous one. Shift up 2024 was decided as the name for our new medium-term management plan to express our commitment to continuing to evolve by stepping up a gear.

By drawing on the knowledge gained through our digital and 5G initiatives and demonstration experiments over the years, we will leap forward to the application stage and enable the use of DX × Beyond 5G as a tangible service. In order to implement this service throughout society and help address its various issues, we must continue to strengthen our ties with customers. From our “co-creation” approach aimed at addressing the individual needs of customers, we will shift up to a “creation in harmony” relationship in which we create new forms of social value by constantly working together with customers to overcome various issues and ensuring that such efforts resonate throughout society.

**Transitioning to a Spiral-Type
Business Model**

The continuous advancement of our business model is of paramount importance to the success of Shift up 2024.

Under the Symphonic brand, we bundle cloud computing and other cutting-edge technologies in an optimal form for our customers. We also draw on our Digital × 5G technologies and self-implementation business model to co-create new solutions with customers and create value unique to NESIC, which is



provided seamlessly through to the actual application and operation process. This business process was developed over the course of Beyond Borders 2021. Under Shift up 2024, however, we will incorporate “consultation” into this process and transition to a spiral-type business model.

We have accumulated a wealth of knowledge on the use of DX, particularly in the area of workstyles, both internally and through co-creation. As I have stated from the past, our spirit of sparing no effort on behalf of our customers is deeply ingrained in our self-implementation. Having actually utilized its various digital technologies and information and communications technology (ICT), one of the strengths of the Company is its ability to share with customers information on what has worked, what has not worked, and all of the trial-and-error and methods used while making practical proposals. Another feature that is unique to NESIC is the ability to propose solutions based on its thorough knowledge of the frontlines that has been accumulated through

its application and operation processes for customers in a vast range of business domains. Unlike other consulting companies, we develop and operate systems and solutions with a starting point of self-implementation and frontline operations-based consultation services, through which the data and insight we acquire will be used to uncover issues that have gone unnoticed by our clients, propose solutions to such issues, and convert them into new business opportunities. In this way, as a strategic partner, we will develop recurring relationships to create value in harmony with customers and the know-how we gain as a result will be reflected in our creation of new value for society including new customers. This type of positive cycle is the aim behind our new business model. Going forward, we will remain fully committed to achieving the sustainable growth of our business while creating new and distinctive value that leverages the know-how unique to NESIC in an even timelier manner.

Our Evolution into a “DX-Native” Company

The key to the success of our new business model is our evolution into a “DX-native” company. We will continue to evolve as an organization by employing new DX technology in all our business processes and refer to the know-how gained through our self-implementation to continue to enhance our consulting capabilities. To that end, we must continue to not only hone the capabilities of our highly skilled and specialized engineers but also ensure that each member of our organization blossoms into a DX professional. For instance, just like the three Rs in education (reading, writing, and arithmetic), a culture in which each employee is committed to adjusting their work processes

such as through no-code development is exactly what the Company should pursue as an organization that boasts a competitive edge in self-implementation and co-creation implementation and prospers through the development of its employees. At our new headquarters, to which we plan to relocate during FY2023/3, we will advance even further with self-implementation and co-creation implementation with customers and partners by capitalizing on the benefits of leasing an entire building subject to minimal restrictions. Moreover, the Shin-Kawasaki Technical-Base will serve as the core base for providing DX training to all employees, in addition to the development of highly skilled technical experts. We are also drawing up a plan to provide our wealth of knowledge to customers in order to facilitate their development of DX professionals and aim to bring this scheme to reality over the course of Shift up 2024.

It is imperative that we continue to strengthen our human resources not only from a technical aspect but also from the viewpoint of our corporate culture. As I stated previously, strengthening our corporate culture is essential to becoming an organization that consistently evolves and actively uncovers issues while proposing solutions to such issues, rather than one that takes a passive approach. With this in mind, the Corporate Culture Design Office and the Well-being Promotion Office were established to underpin the growth of employees. Both departments take the initiative to execute a series of ideas aimed at enhancing employee motivation. For instance, the Corporate Culture Design Office holds events in which employees make proposals toward the establishment of a business and grant approval for its development. We will continue to stress the importance of increasing employee engagement and promoting inclusion and diversity while monitoring our employee engagement score and our ratio of women in management positions as a measure of our KPI.

Strengthening Our Capacity to Resolve Issues

One of the important themes of our new medium-term management plan is the strengthening of our capacity to resolve issues. Over the years, the Company has

accumulated sophisticated technologies in line with the creation of mission-critical systems by telecommunications carriers and other infrastructure providers. Under our previous medium-term management plan, we developed multi-skilled engineers for next-generation networks and moved forward with preparations to expand our lineup of local 5G services with our sights set on the next stage of our journey. By utilizing DX and next-generation networks with the assets it has accumulated to date in a vast range of fields, including fire-fighting and disaster prevention, CATV, and workstyle innovation, the Company will strive to create social value by establishing a business that is conducive to the creation of digital towns and safe, secure, and sustainable communities. We will also look to create a business model whereby the Company itself is the operator, much like in the case of the onshore fish farming business. We will diversify profit opportunities and create synergies by utilizing the insight we gain in the process as a business operator in our existing businesses.

Under Shift up 2024, we declared our commitment to addressing climate change in all of our businesses as a measure of advancing solution capabilities. While there are a number of social issues we must address, climate change is considered one of the most critical issues by management. In relative terms, our industry is not as susceptible to the effects of climate change. However, from a global environment perspective, we believe the businesses we have operated over the years and our accumulated know-how will make significant contributions by mitigating climate change through the reduction and optimization of energy use, as well as by adapting to climate change through the strengthening of our framework for responding to natural disasters. By reframing our view of the business from one based on addressing other issues within society to one based on realizing an even greener society, we will look to create services that are even more capable of resolving issues. Meanwhile, we established a policy to reduce greenhouse gas (GHG) emissions from our internal operations by 55% by FY2031/3 compared with FY2020/3 levels and began disclosing information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework in June 2022. Going forward, by having every member of

NESIC work closely with the Carbon Neutral Promotion Division, a Companywide specialized organization established in April 2022, we will remain committed to resolving the issue of climate change.

In Closing

In formulating Beyond Borders 2021, we took a top-down approach in order to break away from our traditional mindset and start from scratch. When formulating Shift up 2024, however, we engaged everyone from young employees to executive officers in the discussions, which were held across all of our departments. To firmly reflect the views of not only the people in the Company but also of the stock market and customers, we also solicited various input from our outside directors. I am proud of the fact that a culture in which we are able to share our views on the aspirations and discuss the future of NESIC has been instilled throughout the organization, and because our new medium-term management plan reflects the desires of our employees, I am convinced that Shift up 2024 will prove to be a success.

We will achieve sustainable increases in corporate value as long as our employees are self-driven and a culture of continuous change becomes ingrained throughout the organization. Under Shift up 2024, we will continue to evolve by breaking from our conventional ways of thinking and not being content with the status quo.

Lastly, the Company transitioned to the Prime Market of the Tokyo Stock Exchange in accordance with the market restructuring that took place in April 2022. While the requirements under the Prime Market are those that demand higher standards, particularly from a governance perspective, we will embrace this challenge and use it to strengthen our management while continuing to engage with all of our stakeholders. I ask for your continued understanding and support as we strive to further expand our business and provide even more value to society in the coming years.

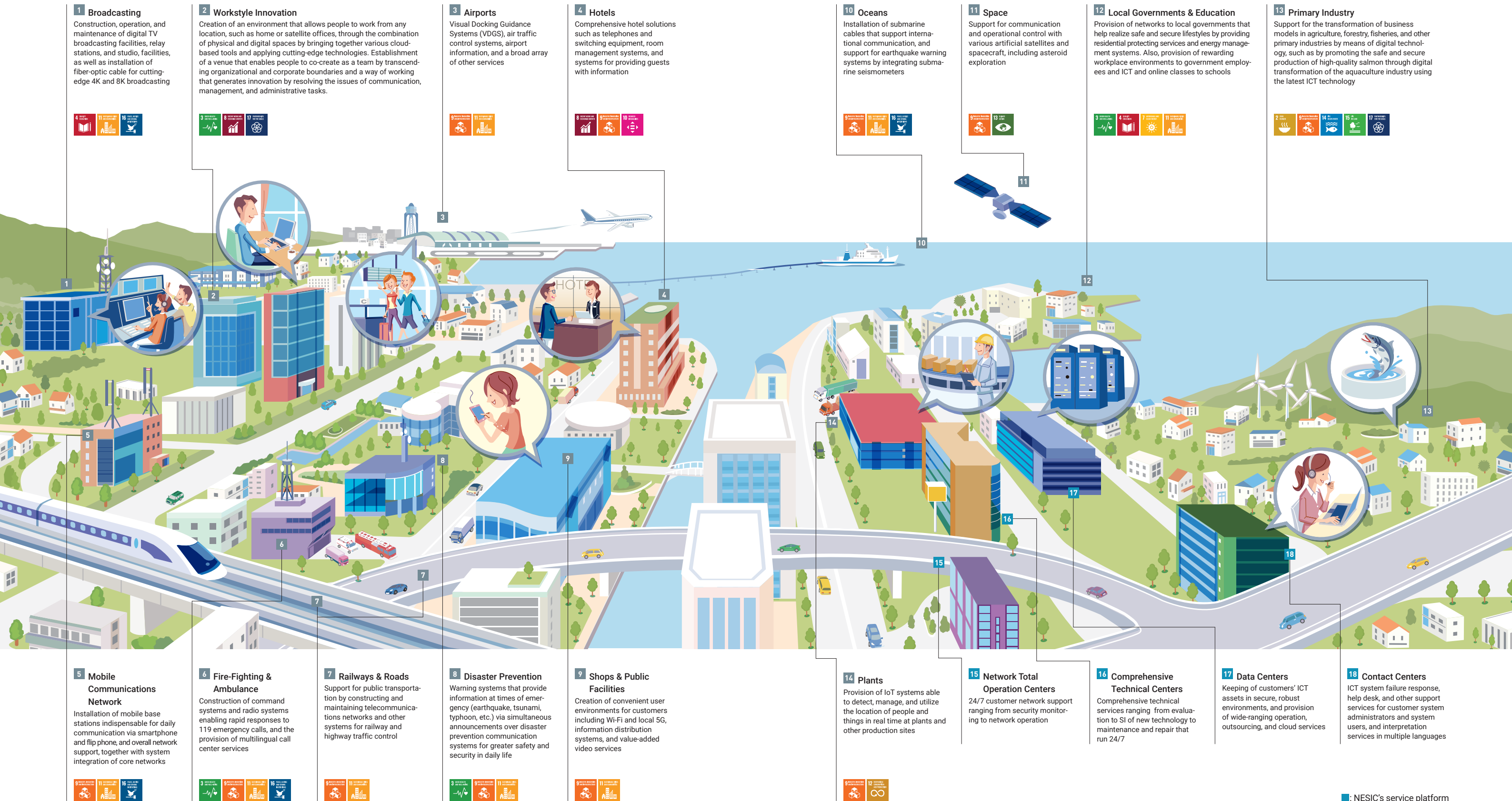


President and Chief Executive Officer (CEO)



Our Connection to Daily Life

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



■: NESIC's service platform

Materiality

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

	Megatrends	Opportunities for NESIC	Risks for NESIC
Initiatives to provide value to society	<ul style="list-style-type: none"> Declining and aging population and decreasing working population Concentration of population in urban centers Declining population in rural areas and widening regional disparities Growing impact of climate change Increasing awareness of safety and security Acceleration of digitalization Rapid advancement of networks 	<ul style="list-style-type: none"> Changes in workstyles at enterprises and local governments Widening promotion of DX in educational settings Rising needs for the development of attractive, highly resilient communities Expanding needs for the use of digital technologies to address 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
	<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 	
Initiatives for growth at NESIC	<ul style="list-style-type: none"> Increasing emphasis on human capital Growing attention on the importance of ensuring people's physical, mental, and social well-being Respect for diversity Cultivation of a culture of co-creation 	<ul style="list-style-type: none"> Enhance credibility by strengthening governance and establish a foundation for business growth by ensuring rapid decision-making Enhancement of 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 and the ESGs 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 new medium-term management plan.

Materiality	Concrete Image of Materiality Issues Being Realized	ESG	SDGs (Relevant SDG 169 targets are listed)																	Medium-term management plan("22-'24)				Initiatives and specific targets (Numerical targets for initiatives without a specified fiscal year are based on FY2025/3)
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Basic Strategy 1	Basic Strategy 2		Basic Strategy 3	
			No poverty	Zero hunger	Good health and well-being	Quality education	Gender equality	Clean water and sanitation	Affordable and clean energy	Decent work and economic growth	Industry, innovation, infrastructure	Reduced inequalities	Sustainable cities and communities	Responsible consumption, production	Climate action	Life below water	Life on land	Peace, justice and strong institutions	Partnerships for the goals	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	S/E	1.1		3.4	4.4	5.5 5.b			8.1 8.2 8.3 8.5 8.8 8.10	9.5	10.2 10.3			13.1		15.2		17.16 17.17					<ul style="list-style-type: none"> Increase sales from partner-type smart recurring business and advanced ICT operation (data utilization) business to ¥30 billion Increase sales from DX-based industry business to ¥10 billion*1 External sales and monetization of DX human resource development function (College Concept) Expand orders through services that make extensive use of Symphonict (DX services and infrastructure) (Expand Symphonict implementation services)
	Develop pleasant and plentiful communities with cutting-edge technologies	S/E					5.5 5.b			8.1 8.2 8.9 8.10	9.1	11.2 11.3 11.7	12.8 12.b	13.1	14.1 14.2		16.10	17.16 17.17					<ul style="list-style-type: none"> Expand sales of DX-based public business to ¥10 billion (in DXS) (total value including*1) Sales of ¥20 billion of digital town business Expand orders through services that make extensive use of Symphonict (DX services and infrastructure) (Expand Symphonict implementation services) Provide municipal DX coordination services to 150 local governments by 2025 Increase sales from multi-connectivity business to ¥10 billion*2 (provide L5G and various other systems and develop a secure infrastructure) Increase sales from social infrastructure business (in NWS) to ¥25 billion*3 (Expand solutions businesses utilizing satellite images and AI) 	
	Provide robust services that underpin safety and security in evolving society	S/E	1.5	2.3 2.4	3.6			6.4 6.b	7.2 7.3 7.a 7.b	8.1 8.4	9.1 9.4		11.2 11.3 11.5 11.6 11.7 11.b	12.2 12.4 12.5	13.1 13.2	14.1 14.2	15.1 15.2	16.1 16.6	17.2 17.7 17.16 17.17					<ul style="list-style-type: none"> Expand sales of multi-connectivity business to ¥10 billion (total value including*2) (data operations business through automation and AI prediction using infrastructure operations data) Expand sales of social infrastructure business to ¥25 billion (in NWS) (total value including*3) (provide resilient social infrastructure services through the use of observation data obtained from satellites and ocean floors) Increase sales to ¥20 billion by strengthening measures toward the realization of a green society (in ESS) Install immersion cooling systems at a major data center Establish onshore fish farming business and increase sales to ¥30 billion (FY2030/3: includes franchises) Reduce Scope 1 and Scope 2 CO₂ emissions from business activities by 40% in FY2023/3 over FY2020/3, reduce by 55% in FY2031/3 over FY2020/3, and realize net-zero emissions by FY2051/3 Establish Scope 3 CO₂ emission reduction targets for the entire supply chain by FY2024/3
Initiatives for Growth at NESIC	Sound and highly transparent management	G					5.5		8.5 8.8		10.2 10.3			12.6 12.7	13.1 13.3			16.1 16.5 16.7	17.16 17.17					<ul style="list-style-type: none"> Women account for 30% of all directors (by FY2031/3) Shareholder return: Maintain dividend on equity (DOE) of 5.0% Conduct investor relations (IR) activities focusing on individual business field
	Strengthen innovation capabilities to create new value	S				4.4	5.5		8.2	9.5								17.16 17.17					<ul style="list-style-type: none"> Training of highly skilled professionals and human resource investment: ¥5 billion (on a cost basis) (400 Consulting personnel, 1,800 DX Professionals, 800 Beyond 5G professionals) Conduct business investments of ¥17 billion (on a cost basis) and M&As and other growth investments of ¥38 billion (on a cash basis) IT investment: ¥8 billion (on a cost basis) (including cost of relocating the head office) Continue to hold NESIC's pitch competition 	
	Create a culture where employees can take initiative	S	1.1		3.4	4.4 4.5 4.7	5.5 5.b		8.2 8.5 8.8	9.5	10.2 10.3				13.3									<ul style="list-style-type: none"> Employee engagement score: 50% (Tier 1 level) (FY2025/3) (The score, which is based on a survey conducted by the global human resource consulting company Kincentric, of 50% generally corresponds to the world's top 25% and, accordingly, the Tier 1 level.) Percentage of female managers: 10% (FY2027/3) Percentage of paid leave taken: 100% (FY2027/3) Promote the taking of the Japan Health Master Examination Hold psychological safety workshops across the Group

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.

*1 Numerical target (sales of ¥10 billion) comprising initiatives for "creating work environments in which everyone can take the initiative" and "developing pleasant and plentiful communities with cutting-edge technologies"
 *2 Numerical target (sales of ¥10 billion) comprising initiatives for "developing pleasant and plentiful communities with cutting-edge technologies" and "providing robust services that underpin safety and security in evolving society"
 *3 Numerical target (sales of ¥25 billion) comprising initiatives for "developing pleasant and plentiful communities with cutting-edge technologies" and "providing robust services that underpin safety and security in evolving society"

Value Creation Model

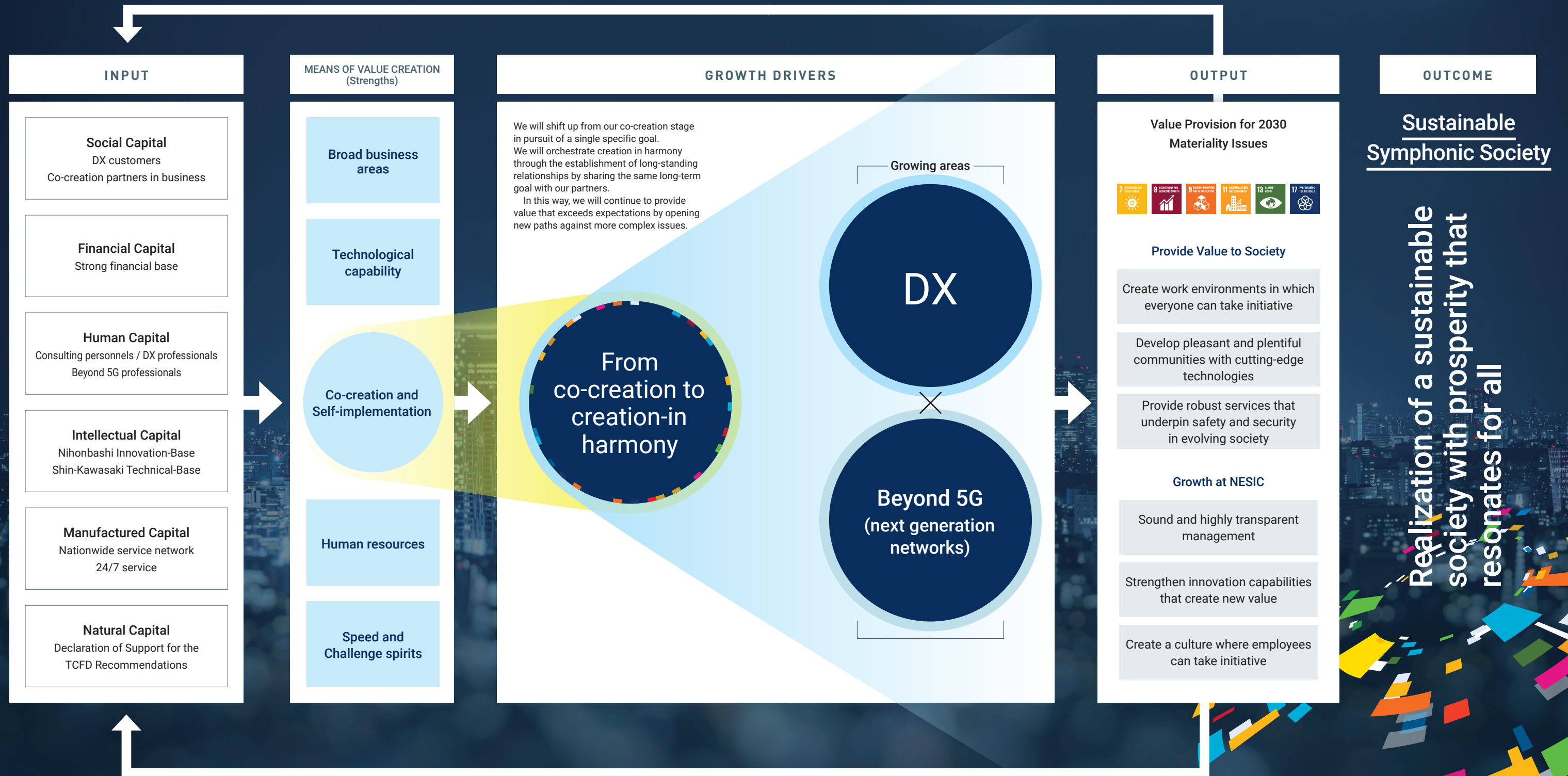
With the formulation of our new medium-term management plan, we have set forth the achievement of a “Sustainable Symphonic Society” as our vision for society.

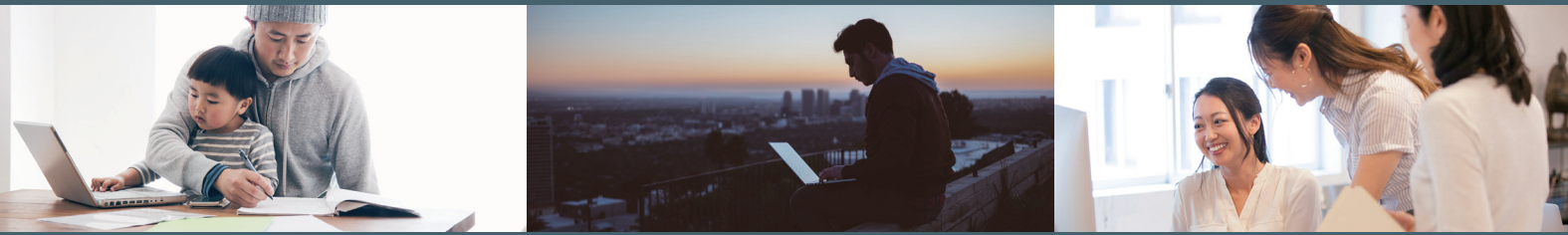
In order to realize such a society, we will establish a value creation model that integrates DX and “Beyond 5G” next-generation network technologies through the inspiration of our five strengths, with creation in harmony as new factor to success.

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 the 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.





Create work environments in which everyone can take initiative



Vision for Society
An inclusive and sustainable society created through communications

Create work environments in which everyone can take initiative

By utilizing the know-how accumulated through our self-implementation activities since 2007 and digital technologies, we provide solutions tailored to the changing workstyles and business environment of the New Normal, such as the realization of a co-creation environment that will spur greater innovation and business processes.



Initiatives to Realize This Materiality (number of new releases)

11
for provision of new services

2
for experiments

September 2021 to June 2022

Launch of Municipal DX Coordination Service to Facilitate the Digitalization of Local Governments

NESIC launched its Municipal DX Coordination Service, which visualizes and analyzes municipal operations to propose services that are best suited to formulating DX promotion plans and improving operational efficiency.

The trend toward digitalization has accelerated in recent years under the direction of the government, and local municipalities are being urged to improve the convenience of residential services and increase operational efficiency through the use of digital technologies. However, proceeding with efforts toward digitalization, such as determining which part of operations to incorporate and deciding on ICT services, is not an easy task.

For the Municipality DX Coordination Service, digitalization promotion consultants work with customers to visualize and analyze the current state of operations, determine which services to digitize, and compile a list of countermeasures.

Based on these results, we propose ICT and DX services and operational services that are designed to address customers' issues, support the formulation of DX promotion plans, and promote digitalization and structural reform. Moreover, we provide a one-stop service that identifies new issues and proposes improvements through data analyses after the start of operations, thereby constantly facilitating the digitalization activities of our customers.

Going forward, we will continue to provide services by working alongside our customers and contribute to the digitalization of municipalities, thereby reforming workstyles and front-line operations, enhancing the quality of residential services, and realizing the Vision for a Garden City Nation.

Excerpt from press release (issued on February 21, 2022)

Establishment of Canario as a Communication Service Brand

We have established our new communication service brand, Canario, for the business communication domain and reorganized our existing service names under this brand.

As workstyles diversify in the New Normal, we continue to see changes in the value necessary for business communication. NESIC has been quick to introduce new workstyles under the New Normal and has worked to provide flexible solutions that align with changes in the business environment of users. For instance, we introduced telework for all employees in 2017, and in 2019, we introduced a distributed work practice based on the use of satellite offices, while in 2020, we reformed work processes based on the adoption of a remote work system.

Canario was established based on our desire to liberate business people from unnecessary communication through the power of digital technologies and realize an affluent

society. It also represents our determination to continue to provide a wide range of communication methods that offer highly valuable experiences to our customers.

Moving ahead, we will focus on expanding the lineup and sales of Canario services and help resolve the issues of our customers by proposing new methods of communication.



Canario logo

Excerpt from press release (issued on February 2, 2022)



Develop pleasant and plentiful communities with cutting-edge technologies



Vision for Society
An inclusive and sustainable society created through communications

Develop pleasant and plentiful communities with cutting-edge technologies

Through the combination of our next-generation networks and cutting-edge digital technologies, we will work with our partners to address the various issues of local communities and facilitate the creation of safe, secure, convenient, and attractive communities, such as smart cities, and realizing more affluent lives for people in the process.



Initiatives to Realize This Materiality (number of new releases)

6
for provision of new services

8
for experiments

September 2021 to June 2022

Full-Scale Launch of Community Development Services Leveraging Digital Technologies and Ability to Deliver Optimal Solutions —Contributing to the realization of smart cities through digital shift in community development—

At NESIC, we have moved full steam ahead with sales activities for our community development services, which draw on digital technologies and our ability to deliver optimal solutions to customers.

This service responds to the growing needs for community development in recent years with an awareness of sustainability and ensuring high levels of resilience. Through the provision of new value created by combining diverse network environments with integrated management and analysis of data, we will promote a wide range of digital shift of communities and contribute to the realization of smart cities.

The Company's strengths underpinning these efforts were cultivated through its years of experience in developing infrastructure and providing solutions to address customers' issues as well as its track record of digitalizing the operations of numerous customers through its self-implementation and co-creation practices. Going forward, we will focus our attention on the following areas, in which we will be able to make the most of our strengths.

• Smart Buildings
We provide a variety of services that contribute to improvements in the efficiency, safety, and security of building operation and management, such as the building environment monitoring and security related activities of building managers and infection prevention measures for tenants, as well as digitalize building management through the interconnectivity of these services.

• Smart Energy
As a system integrator that promotes the use of renewable energy through multi-vendor services, we facilitate the development of locally produced, locally consumed energy systems for municipalities while helping realize zero-carbon and industrial development in local communities.
Through the realization of digital shift for customers involved in community development, we will help address social issues and achieve a sustainable society.

Excerpt from press release (issued on July 6, 2021)

Start of Demonstration Trials to Revitalize Station Squares Using Local 5G in Collaboration with Heart Network

NESIC began conducting demonstration trials with Heart Network Co., Ltd. to revitalize the area in front of JR Niihama Station through the use of local 5G.

We have seen a growing need for the revitalization of regional towns and cities in recent years as a result of the declining birthrate and aging and decreasing population. For that reason, local governments and companies are undertaking a range of measures to inject more energy into these communities and enhance their appeal.

These experiments are being conducted with the aim of developing attractive communities by helping resolve these issues through the use of local 5G environments. We will create lively and attractive station squares by establishing an environment that encourages people to visit through the use

of smart signages that provide up-to-date information and virtual reality (VR) cameras that distribute 360-degree images in real time as well as an ultra-high-speed wireless LAN environment based on a local 5G network. In addition, we will work to ensure the safety and security of communities by utilizing a 4K camera system with image recognition capabilities that detect the falls and analyzes the flow of human beings.

Going forward, Heart Network and NESIC will utilize local 5G in a more realistic setting to help resolve the issues of local communities and ensure their safety and security by closely identifying with their needs.

Excerpt from press release (issued on November 4, 2021)



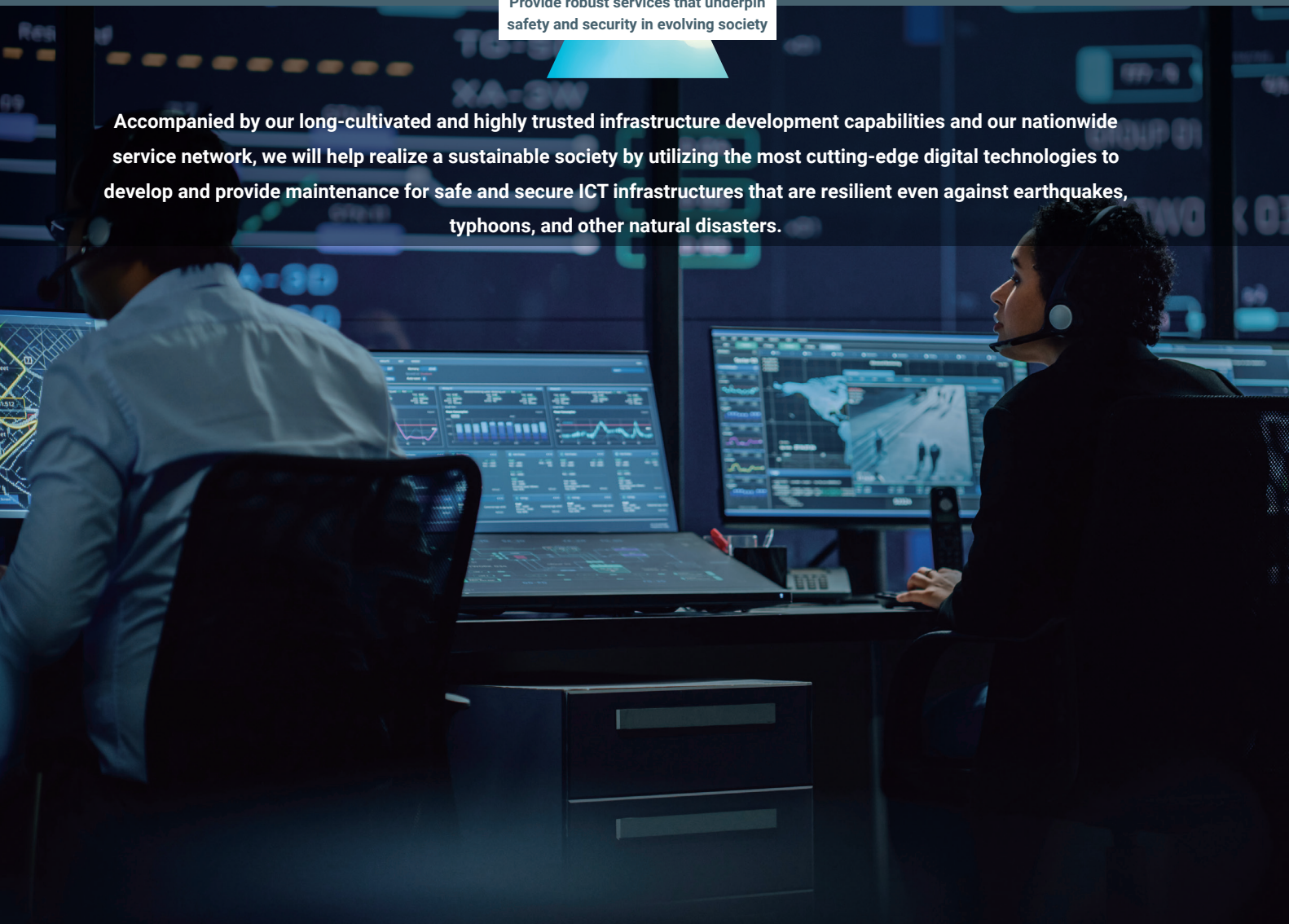
Provide robust services that underpin safety and security in evolving society



Vision for Society
An inclusive and sustainable society created through communications

Provide robust services that underpin safety and security in evolving society

Accompanied by our long-cultivated and highly trusted infrastructure development capabilities and our nationwide service network, we will help realize a sustainable society by utilizing the most cutting-edge digital technologies to develop and provide maintenance for safe and secure ICT infrastructures that are resilient even against earthquakes, typhoons, and other natural disasters.



Initiatives to Realize This Materiality (number of new releases)

7
for provision of new services

3
for experiments

September 2021 to June 2022

Demonstration Trials of Local 5G Services at Showa Base —The First of Its Kind in Antarctica—

As a part of an industry-academia collaborative research aimed at promoting the smart use of Showa Base, NESIC, the National Institute of Polar Research, and the Research Organization of Information and Systems began conducting demonstration trials on a mobile wireless communication system using local 5G, the first of its kind in Antarctica.

At Showa Base, transceivers are basically the only method of communication available outdoors. However, during this demonstration trial, local 5G communication will be accessible through the use of smartphones and other devices. By improving the outdoor communication environment around Showa Base and establishing a high-capacity, high-speed, and wide-area data communication environment, we aim to enhance the efficiency of operations of the observation team, which involve the use of video and various applications, as well as the safety of the observation team

members. Moreover, through the verification of radio wave propagation and communication environments, we will establish an environment conducive to the use of drones and automated driving.

Looking ahead, we plan on promoting the smart use of Showa Base through the use of leading technologies by evolving its data communication environment based on the results of this demonstration experiment. We expect improvements in Antarctic observations from a variety of facets as a result, including monitoring and remote control of base facilities, the safety of the observation team, communication between team members, control of observation devices, and the introduction of new observation methods.

Excerpt from press release (issued on February 25, 2022)

Development of Visual AI Platform to Facilitate the Introduction of AI-Based Video Services —Launch of Intrusion Detection Service as First Phase of Initiative—

NESIC developed the Visual AI Platform specifically for its video analysis service and launched the Intrusion Detection Service as the first phase of this initiative.

With the proliferation of security cameras and the emergence of AI engines for video analysis, AI-based video utilization is being considered in a variety of situations. In the past, such use of video entailed developing a series of systems from the selection of imaging devices to the development of applications for video analysis, and the amount of time and initial investment required to begin operations were an issue.

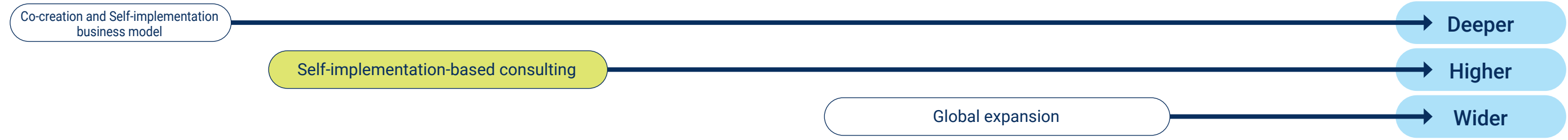
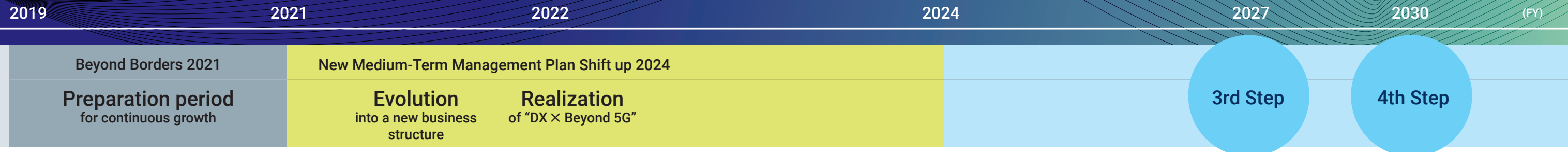
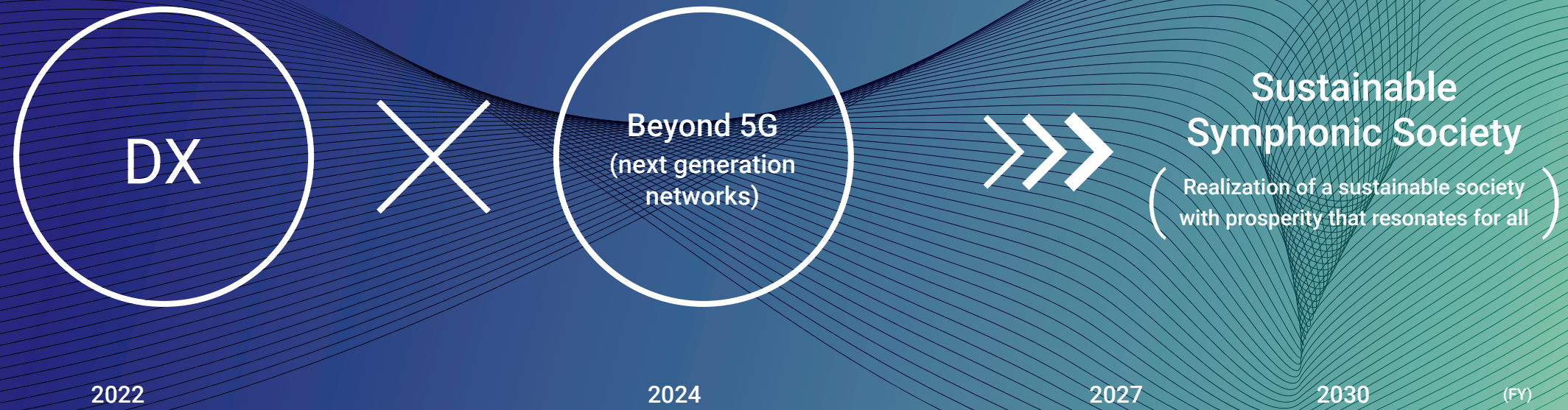
This platform is unique in that it can be developed specifically for the functions needed for application and integrated easily into business processes by linking to cloud

services. These distinctive features ease the burden on both customers and service providers when implementing AI-based video application services.

Our Intrusion Detection Service combines highly sophisticated AI technology with our abundance of know-how to accurately and efficiently monitor intrusions, helping ensure safe and secure environments.

Going forward, we will develop an array of services using this platform, including disaster prevention and labor management, while promoting co-creation activities with partner companies that provide video-related services.

Excerpt from press release (issued on August 26, 2021)



New Medium-Term Management Plan Shift up 2024

Elevating society



Under our new 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, by 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. As for our business model, we will build recurring relationships in which we constantly work in harmony with customers and increase the value we provide, thereby evolving our business model into one that achieves business growth in a spiraling manner. Through these and other initiatives, under Shift up 2024, 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

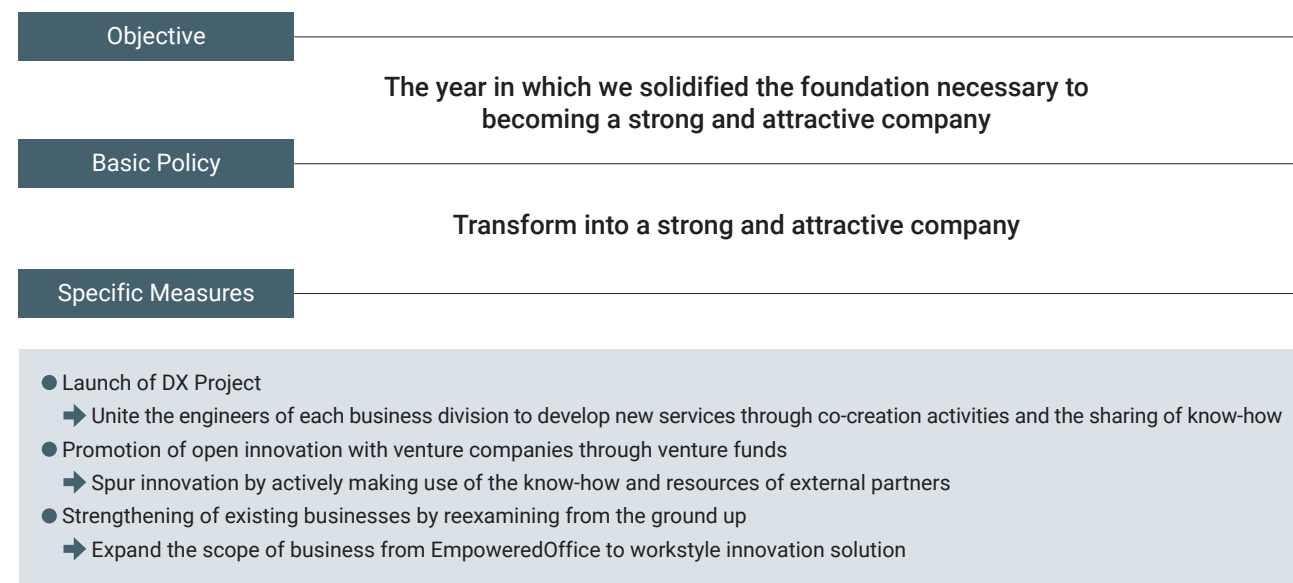
(¥ billion)	FY2022/3	FY2025/3target
Net sales	310.3	370.0
Operating income	23.2	34.0
Operating margin	7.5%	9.2%
ROE	11.6%	13%+

Non-financial Targets

	FY2022/3	FY2025/3	FY2027/3	FY2031/3
Human Resources (Employees)	Consulting resource	180	400	
	DX resource	800	1,800	
	Beyond 5G resources	600	800	
Engagement score (Researched by Kincentric)	33%	50%	* This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level.	
Woman manager ratio	5.9% (2022/4)	10.0%		
GHG emission (SCOPE 1, 2)	8,456t-CO ₂ (FY2020/3)	55% reduction		

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 “change gears for sustainable profit growth.” These measures included reinforcing our business structure and foundation with an eye on 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.

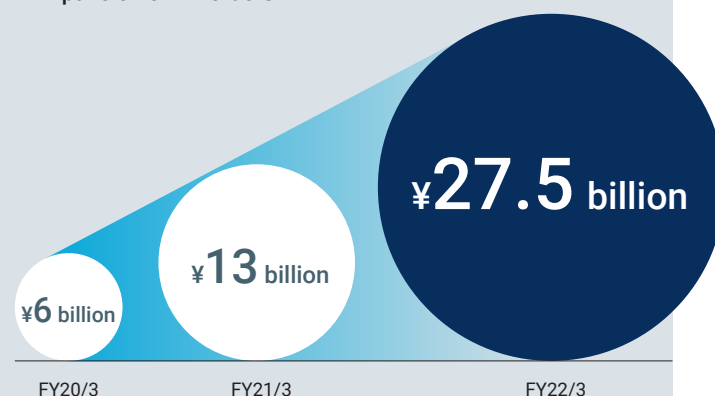
In addition, to further sharpen our core competencies, we restructured our organization into three business units based on expertise and competitiveness and established a specialized organization that centralizes the functions for creating digital businesses through the use of cutting-edge technology.

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 investment in a venture capital fund in the U.S.

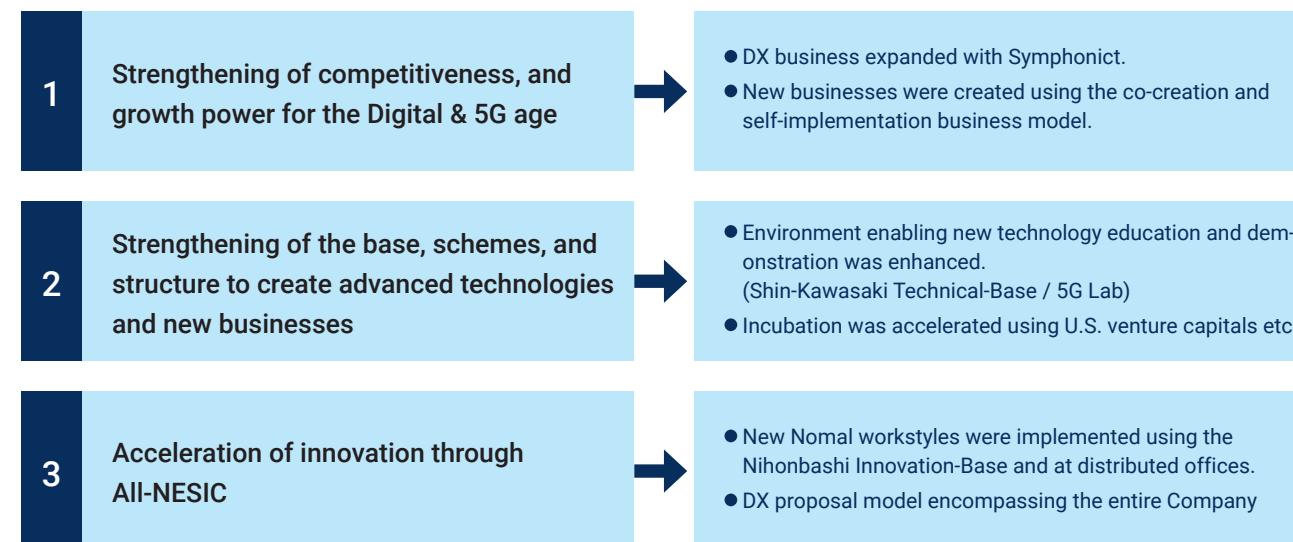
Financial Results of Beyond Borders 2021 (¥ billion)

	Target for FY22/3	Results FY22/3
Net sales	310	310.3
Operating income (Operating margin)	20 6.5%	23.2 7.5%
ROE	10%+	11.6%

Expansion of DX orders



The structural reforms with the goal of sustainable income growth in the DX/5G era have finished.



We focused on developing various DX services and deploying next-generation network services in an effort to enhance our growth potential via the use of digital and 5G technologies, while strengthening our business foundation by reforming our organizational structure and corporate culture and establishing the Shin-Kawasaki Technical-Base. Our DX orders have increased significantly as a result, more than doubling our results each year, and this has led to the expansion of our high-value-added service-based businesses. Combined with improvements in resource efficiency and project management capabilities, our profit level grew due to substantial increases in our gross margin and operating margin. Moreover, our measures geared to future growth have begun to bear fruit, such as the emergence of new businesses through our co-creation activities with industry, government, and academia in a variety of fields.

Specific Initiatives

Providing Support through the Self-Implementation Expertise of Our Staffing Divisions

At NESIC, all of our employees are actively proposing new solutions to customers by understanding their role as salespeople in order to promote our business through a collective Groupwide effort.

Together with the employees of our sales and business divisions, the members of our staffing divisions also visit customers to promote activities that help resolve their issues by drawing on our years of experience in self-implementation.

Our strength at NESIC is the ability to propose solutions to customers with the know-how we have accumulated from our self-implementation activities. With the staffing division in particular, its ability to propose solutions based on the same user perspective as our customers—in terms of not only the benefits but the drawbacks and the inconveniences as well—after actually having used the product is a value unique to NESIC.

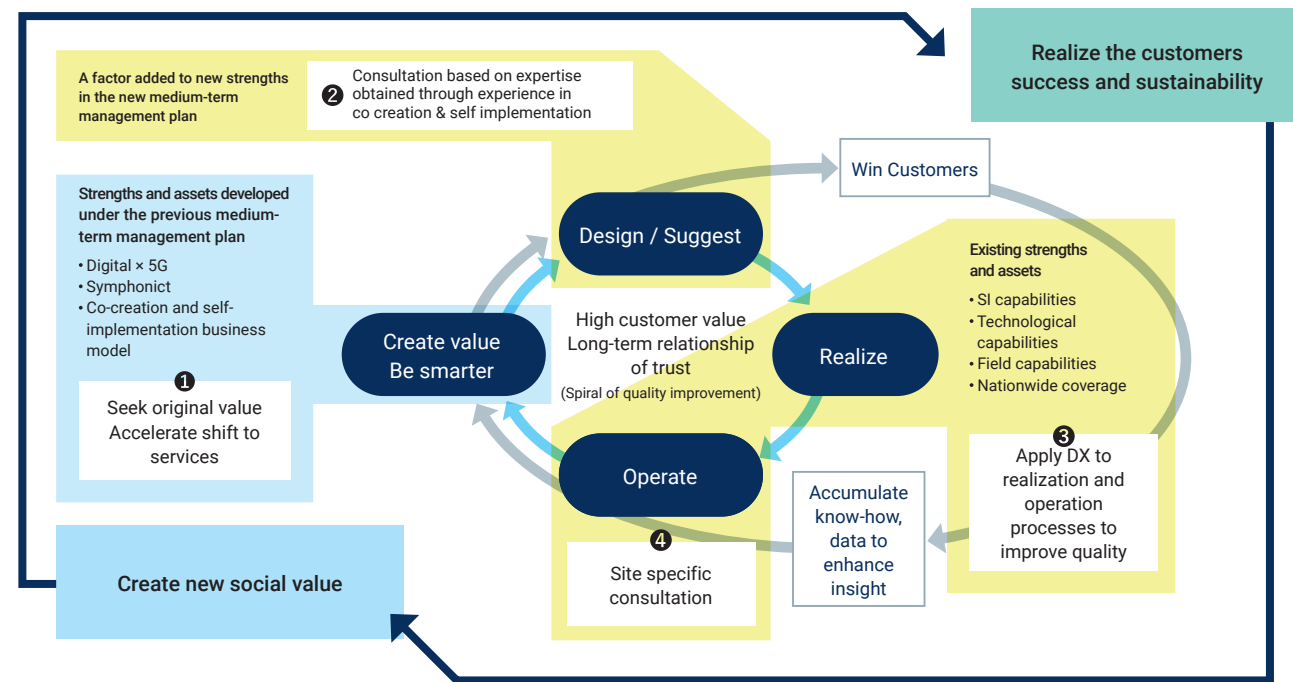
Establishment of the New Normal Project in Response to Changing Business Environment

In response to the rapid pace of digitalization, the introduction of new workstyles, and the arrival of the New Normal as a result of COVID-19, we established the New Normal Project and have been promoting activities for this Companywide initiative ever since. By leveraging its strength of “Speed and Challenge spirits,” NESIC is undertaking a range of initiatives that adapt swiftly to the changing times through a united team effort—involving everyone from its directors to its youngest employees—that are unbound by their respective business divisions. In this way, we are working to continue developing new businesses and reforming our internal business processes.

Overview of Shift up 2024 New Medium-Term Management Plan

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

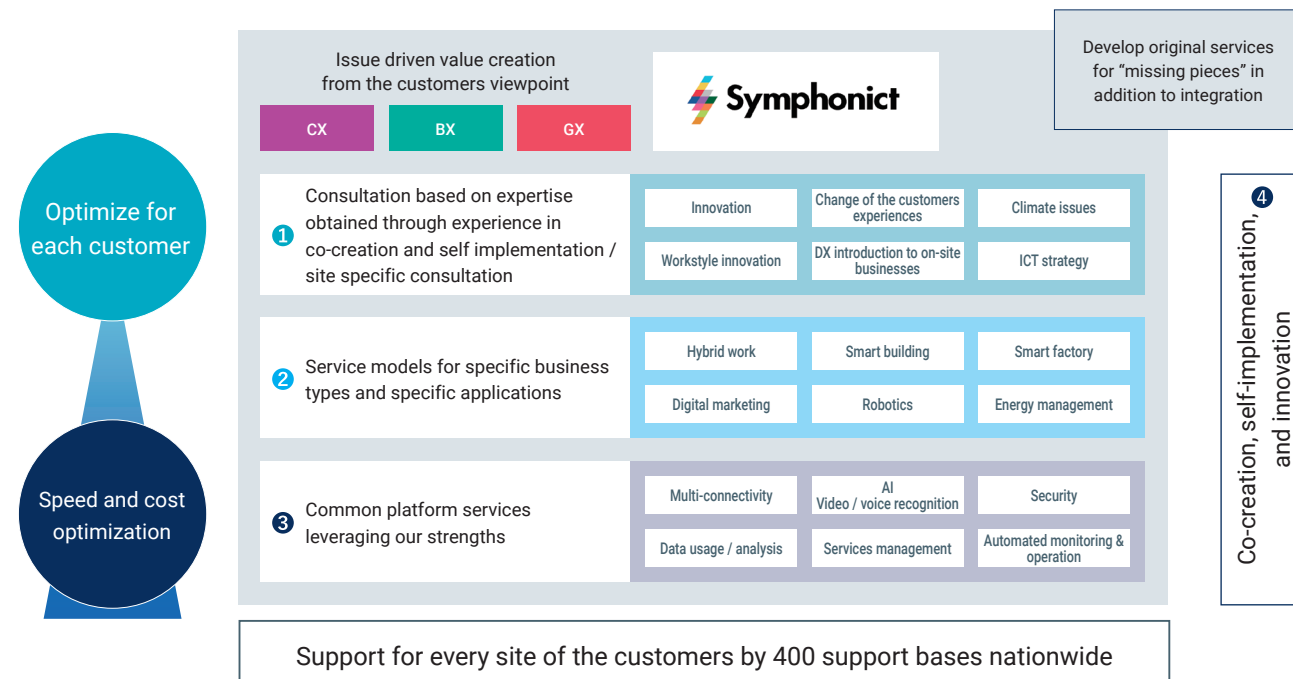
The evolution of our business model is of paramount importance to the achievement of our new medium-term management plan. We will continue to address our customers' issues by refining our existing strengths and adding a new element in the form of consulting services based on our self-implementation practices. Through a virtuous cycle in which this knowledge is used toward the creation of even more value, we will create new value for society and help realize a sustainable society. (→ P10)



Basic Strategy 1 Accelerating Original Value Creation

Provide DX × Beyond 5G optimum to customers with the value created through Symphonict

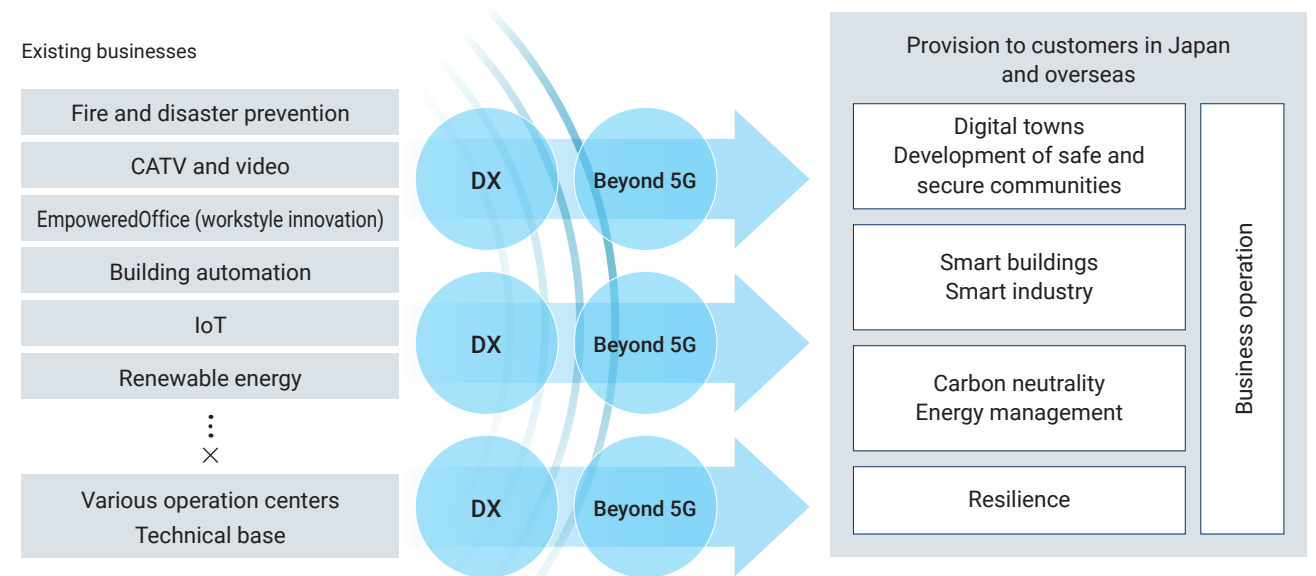
Underlying NESIC's spiral-type growth model is its ability to create value to resolve the fundamental issues of each customer. We provide original value through the development of self-implementation-based consulting services and industry-specific service models based on the Symphonict brand, and the establishment of new services through our co-creation practices.



Basic Strategy 2 Advancing Solution Capabilities

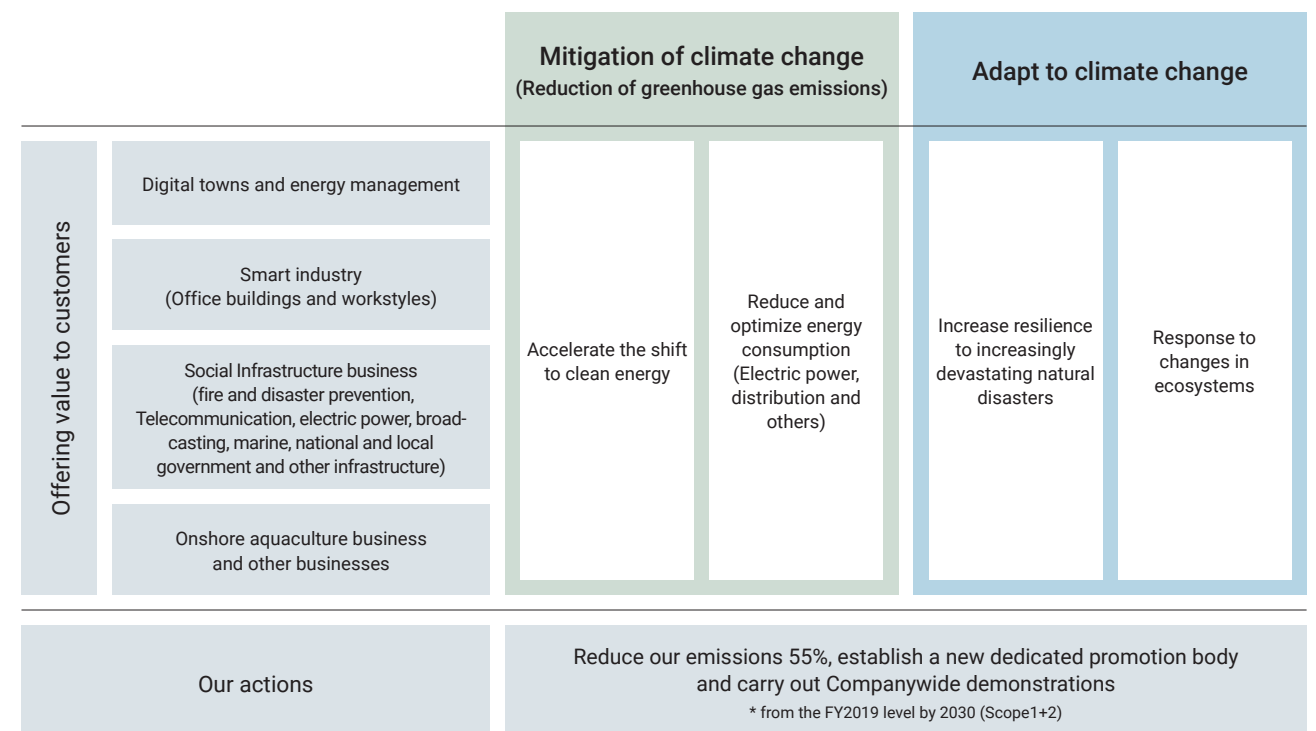
Combine existing businesses and assets and evolve via DX × Beyond 5G network capabilities to create value for society and sustainable communities

In order to accelerate the virtuous cycle of value creation centered on our spiral-type growth model, we will advance our solution capabilities by extensively reframing the issues that have been addressed by our existing businesses and combining our DX × Beyond 5G network capabilities so that we continue to create value for society.



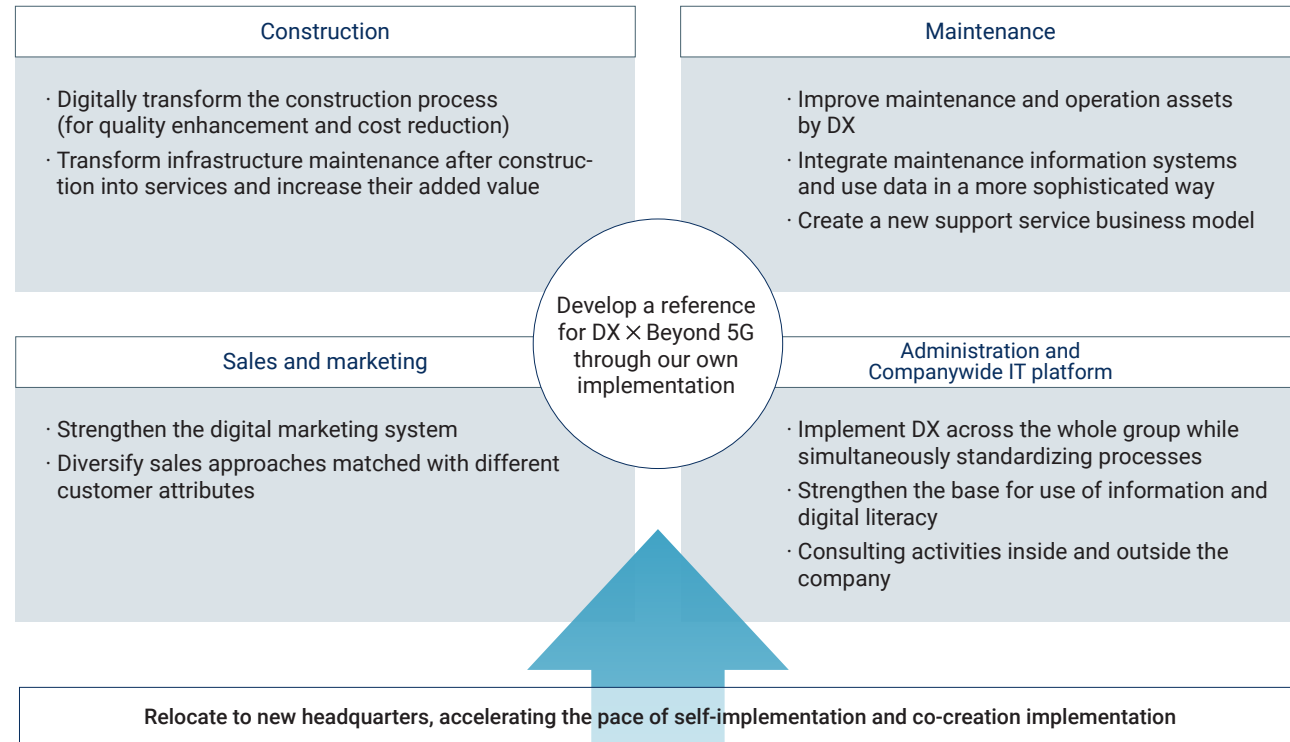
Transform all businesses to ensure they address climate change

Climate change is one of the most urgent social issues facing our business. At NESIC, the businesses we have engaged in to date have been able to address climate change by both mitigating and adapting to it. Regardless, we will improve our awareness in all businesses from the viewpoint of realizing a green society and thereby expand our business through the advancement of our solution capabilities.

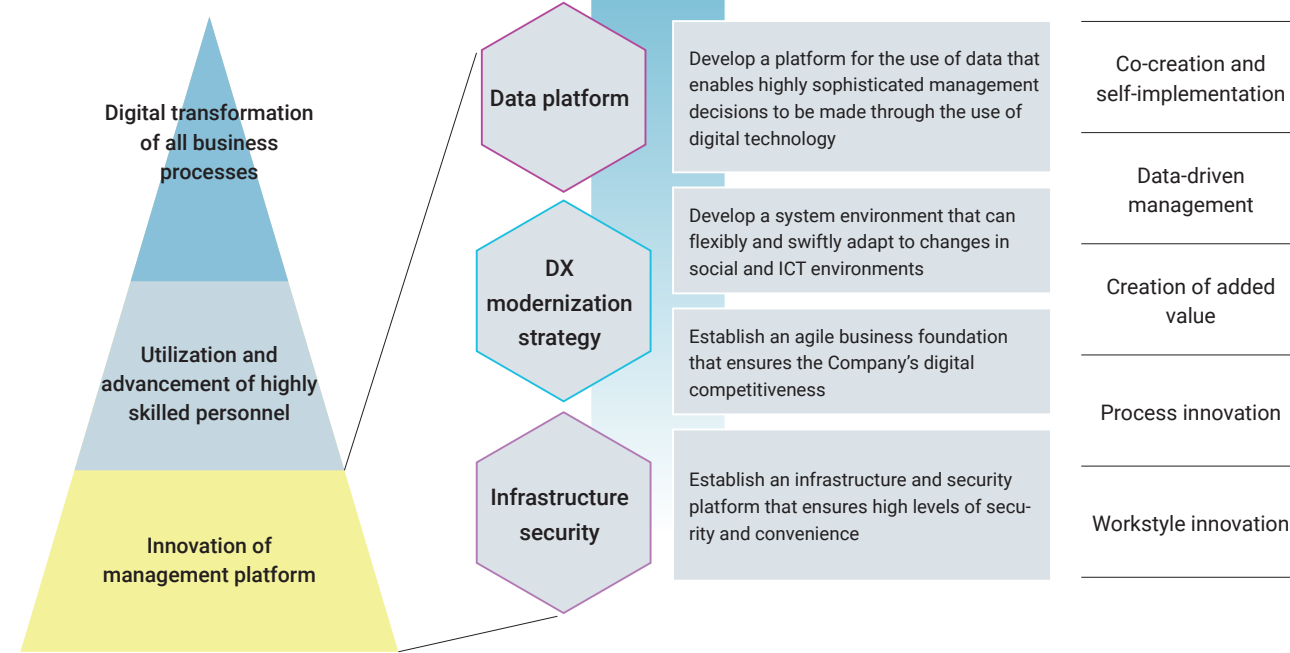


Basic Strategy 3 Evolve into DX-Native Company

Develop a reference model for self-implementation by promoting DX in all business processes



Aims



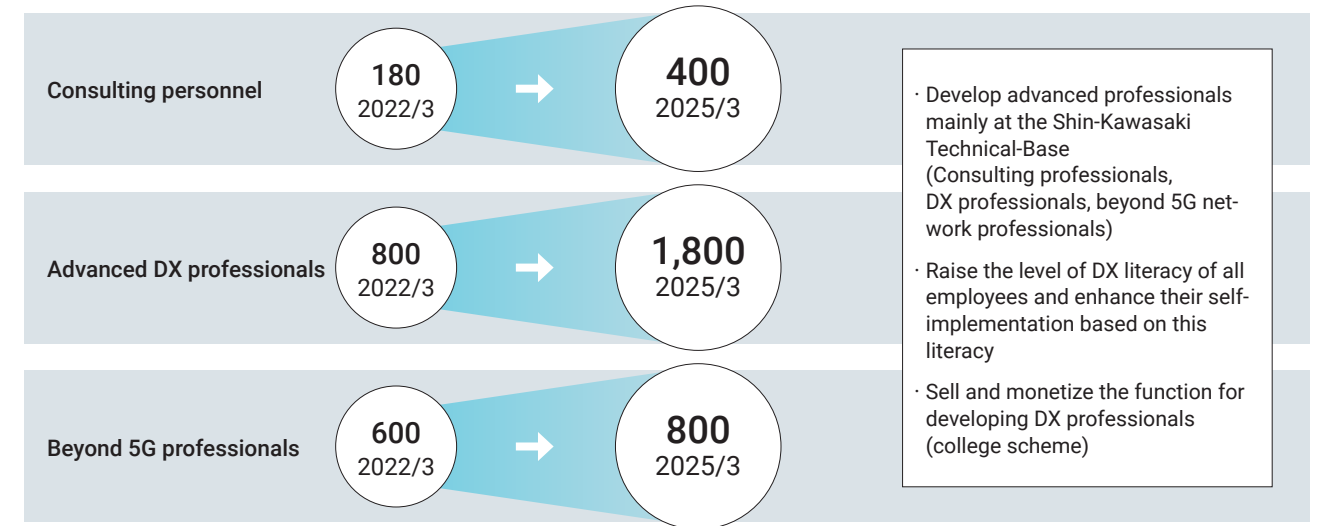
Transition from internal ICT infrastructure to a management platform that ensures the creation of business value

Redevelop our management platform to enable DX to be applied in all business processes. Establish a management platform that facilitates the digital transformation of business development and co-creation processes through the use and advancement of highly skilled personnel.

Foster highly skilled professionals who spur the creation of customer value as leaders of our evolution into a DX-Native company

The key to implementing our spiral-type growth model and the three basic strategies it comprises is our human resources. We will foster our employees into consultants who are unique to NESIC, DX professionals who enact specific reforms, and next-generation network professionals who possess high levels of expertise and acquire additional talent when necessary.

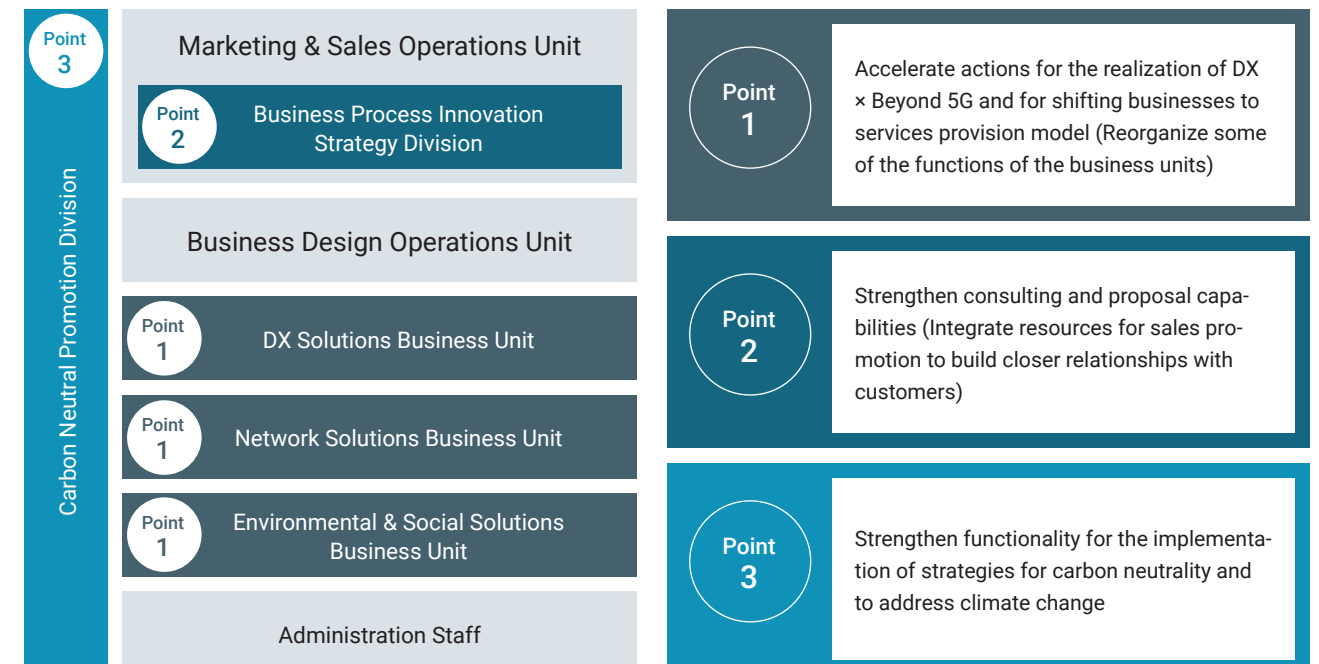
Of the total number of personnel with relevant qualifications and the like



Organizational Strategy

Reform the organization with a view to realizing DX x Beyond 5G

We have optimized our organization by adding marketability to our conventional focus on technologies, in order to provide customers with everything from consulting services based on our self-implementation practices to support for adoption, operation, and maintenance in an integrated manner. In addition, we have established the Carbon Neutral Promotion Division to promote the transformation of all businesses to ensure that they address climate change and to reduce greenhouse gas emissions from our internal business activities.





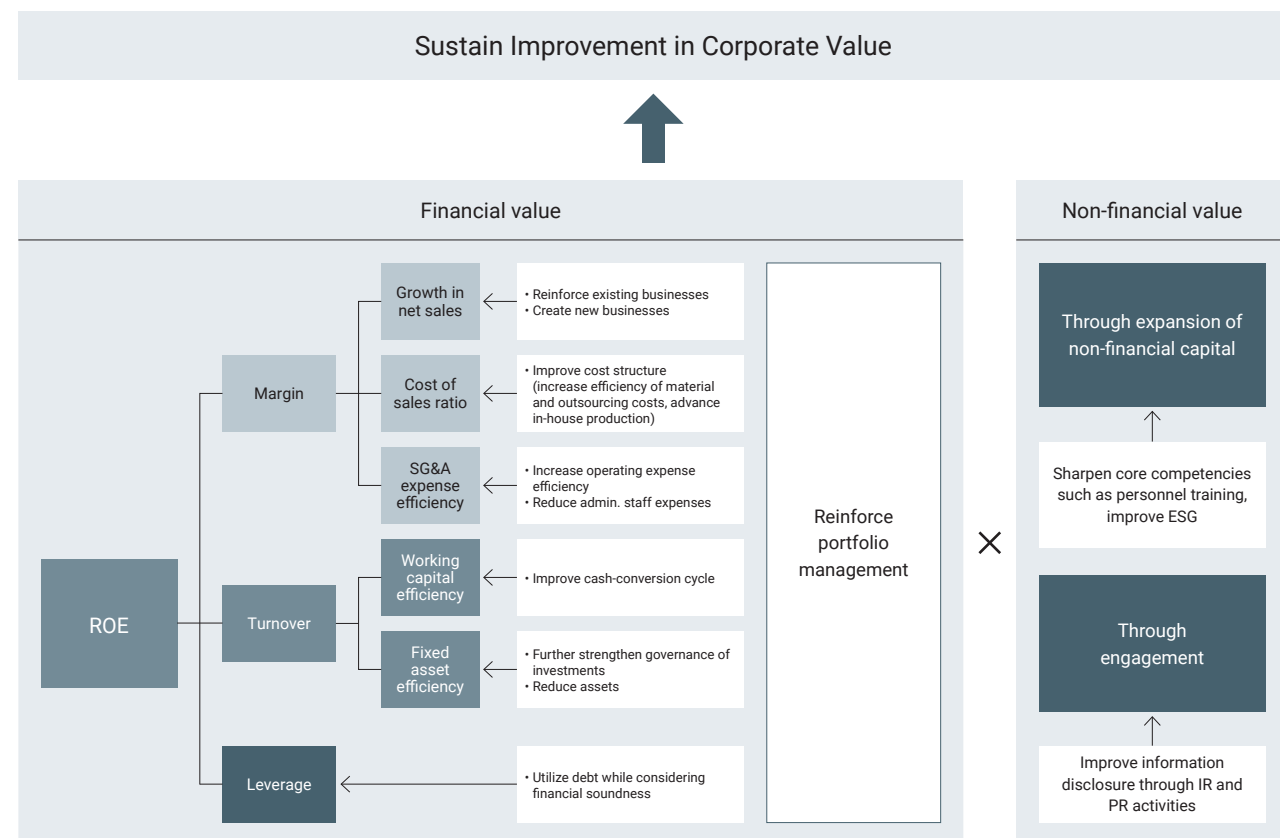
We will speed up our virtuous cycle of value creation by actively investing in growth and forging ahead with sustainability strategies.

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

Approach to Sustainable Shareholder Value / Corporate Value Enhancement

In order to achieve sustainable growth, NESIC believes in the importance of integrating “maximizing financial value,” such as sales and profit growth and capital efficiency, with “strengthening non-financial value,” focusing on materiality, which consists of initiatives to provide value to society and initiatives for growth at NESIC. We will actively invest toward future growth and proceed with sustainability strategies to

speed up our cycle of corporate value creation from non-financial to financial and back to non-financial enhancement. While doing so, we will ensure that these efforts and outcomes are clearly visible to all stakeholders, with whom we will constantly engage in our quest to increase corporate and shareholder value.



Looking Back on Beyond Borders 2021

Under the previous medium-term management plan Beyond Borders 2021 (“previous plan,” hereafter), we engaged in an array of measures based on our policy of achieving sustainable increases in shareholder and corporate value. These measures included increasing ROE; consistently realizing returns on investments to the extent possible and in excess of capital cost; enhancing non-financial value in the form of ESG and management resources, such as our service platform and human resources, who are the source of our value creation; and strengthening stakeholder engagement.

To maximize financial value based on improvements of ROE, we rolled out measures aimed at increasing profit margin on sales and the total asset turnover ratio, which are both components of ROE, in our business divisions and implemented a PDCA cycle. From the vantage point of increasing profit margin on sales, we have actively invested in DX and next-generation network related businesses. Such initiatives include the development of high-value-added DX services and platforms that serve as the foundation for such services under the Symphonict brand and capital alliances and venture capital funds aimed at promoting co-creation activities with cloud vendors and startups. These investments have led to the development of exceptional services, which, combined with the recent surge in demand for digitalization, have generated results in the form of significant growth of the DX business and have become a competitive edge toward the achievement of our new medium-term management plan and further growth thereafter.

In terms of improving cost efficiency, the restructuring of our organization has led to more efficient use of fixed costs through the flexible management of resources. Such efforts have also led to higher standards in project quality and reductions in additional costs stemming from the ability to share know-how with others within the organization. Moreover, we have accelerated our investments in workstyle and business process reforms, such as self-implementation for DX technology, streamlining our communication and the digitalization of approvals, aiming to increase the productivity of the front lines, staffing divisions, and other facets of our business. As a result of these measures, gross margin improved 3.3 percentage points from 17.2% in FY2019/3, prior to the start of the previous plan, to 20.5% in FY2022/3, the final year of the previous plan, while the operating margin gained 2.9 percentage points from 4.6% to 7.5% over the same period.

In regard to enhancing asset efficiency, we directed our attention to improving the cash conversion cycle (CCC) in an effort to streamline working capital. We have strengthened our system and structure for enhancing asset efficiency by positioning our CCC improvement activities as a part of internal performance evaluations and promoted awareness-raising activities to ensure that every employee is fully committed to these activities. At the same time, we funneled efforts into areas that were in considerable need for improvement and immediately generated results, which were then shared throughout the Company. By steadily engaging in such efforts one after another, we have increased awareness

of cash flows throughout the organization. As a result, we were able to improve the CCC by 10 days, from 96 days to 86 days, over the course of the previous plan.

Cash Conversion Cycle (day)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2022	Improvement
CCC	96	86	10
Accounts receivable turnover (days)	132	123	10
Inventory turnover (days)	17	13	5
Trade payables turnover (days)	54	49	-5

As for the optimization of our business portfolio, we constantly analyze and assess our business from the perspectives of return on invested capital (ROIC) and growth potential by establishing a hurdle rate that takes into account the weighted average cost of capital (WACC) and the current ROE. For those businesses where issues were identified, we took measures such as restructuring their framework and functions.

In FY2022/3, both net sales and operating income decreased from the previous fiscal year due to the absence of GIGA school-related demand and the provision of allowance for losses related to our Myanmar business. Regardless, I believe our earnings structure and our business capabilities in growth and high-value-added fields steadily improved during the three years of the previous plan. Due to a significant improvement in profitability, ROE increased by 2.9 percentage points, from 8.7% to 11.6%, over the course of the previous plan, achieving the 10% target we set as the standard for sufficiently exceeding the cost of capital.

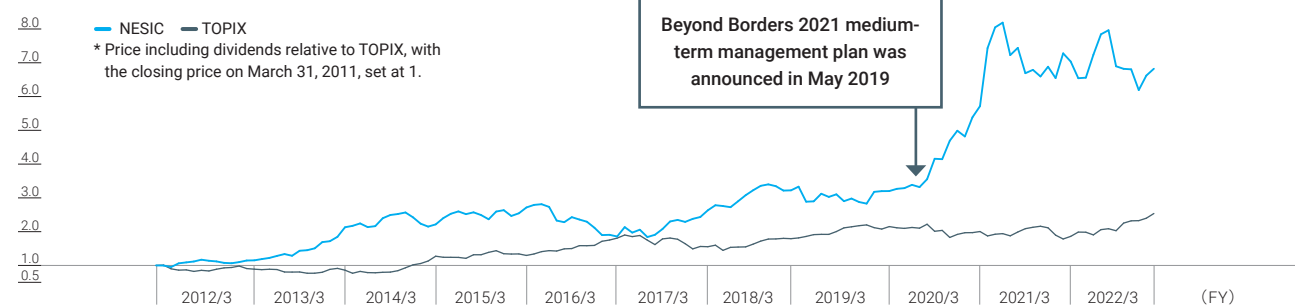
Since strengthening non-financial value/ESG based on materiality also constitutes the basis for improvements in corporate value, I have actively observed these items along with the maximization of our financial value. We have identified our material issues (→ P16) for achieving a sustainable business that grows in harmony with society, and have actively invested in the development and utilization of personnel who will help spur innovation toward creating solutions to social issues and realizing business growth. Specifically, NESIC established a new core center for training engineers and the verification and evaluation of new technologies, such as 5G. From the perspectives of well-being, health, and inclusion and diversity, it has also developed infrastructure to create a more comfortable workplace environment and enhance the capacity to spur innovation (→ P54).

With respect to the environment, in December 2021, the Company endorsed the recommendations of the TCFD in response to social needs stemming from the urgency of climate change. As a part of our comprehensive range of measures to address this issue, we newly established the Carbon Neutral Promotion Division in April 2022 and strengthened our disclosure in this area with the aim of bolstering our capacity to implement climate change related strategies.

Regarding our engagement with capital markets, we have been actively involved in IR activities, which have created more opportunities to engage with investors and analysts. Personally, I have engaged in dialogue with many investors as a member of management (→ P61).

By virtue of these financial and non-financial activities, our total shareholder return has significantly outperformed TOPIX since the start of the previous plan. We have also seen results through our first-time selections in the JPX-Nikkei Index 400 and various ESG indices.

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 based on Bloomberg data)

Outside Evaluations

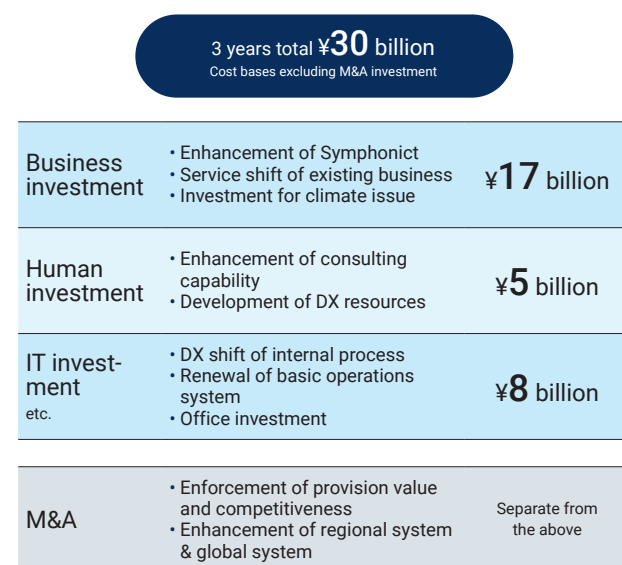


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Financial and Non-Financial Strategies under the New Medium-Term Management Plan Shift up 2024

Under the new medium-term management plan Shift up 2024 ("new plan," hereafter), we will continue to invest toward further growth and proceed with sustainability strategies to accelerate the cycle for creating organically linked financial and non-financial value.

While we were able to achieve results under the previous plan, our profit levels varied significantly depending on client investment trends, and we believe that the stability of profits remained an issue in terms of reductions in the cost of capital. Accordingly, the Company will establish a spiral-type growth model (→ P32), which will be paramount to its growth strategy, and thereby transition to a business model that facilitates the sustainable growth of society, customers, and the Company, aiming to expand profit through improvements in sales and profitability. To that end, we plan to invest a total of ¥30 billion (on an expense basis) in businesses, human resources, and information technology under the new plan. While this amount is well in excess of the ¥5 billion to ¥6 billion we invested on average each year under the previous plan, we will compensate for this increase through the



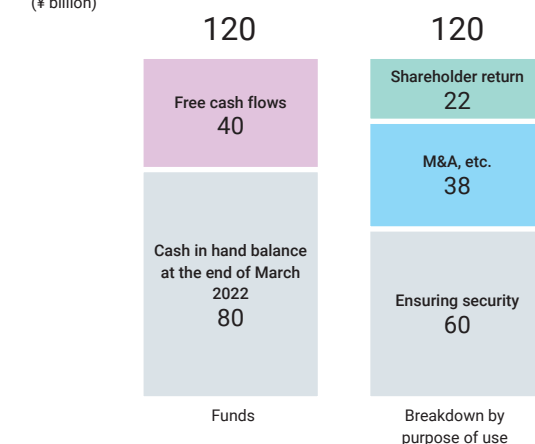
expansion of sales and improvement in profitability. And we will strive to achieve our targets for operating margin of 9.2% and ROE of 13% or more by achieving both investment for growth and profit growth. In addition, we will continue to hone our efforts to improve CCC and refine our ability to generate operating cash flows, through which we expect free cash flows (excluding M&As, investments, etc.) to expand to ¥40 billion over the three-year period of the new plan.

We have a 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. 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 returns upon securing cash on hand that is equivalent to approximately two months of net sales in preparation for sudden needs for funds going forward. Meanwhile, if the need for funds were to arise, we will prioritize the use of loans to the extent that it does not impair the Company's financial position upon ensuring cash on hand for security, and through this means, take shareholder value into consideration.

In addition to improving sales and ROE, I believe non-financial value and ESG will mitigate future risks for both society and the Company, and contribute to increases in corporate value from the perspective of achieving business growth and reducing the cost of capital. 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 new 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 (→ P28). Along these lines, under the new plan, the Company will steadily increase its growth potential and profitability by transitioning to a sustainable business model so that it continues to take further steps ahead over the medium to long term.

Funds and Breakdown by Purpose of Use in the New Medium-Term Management Plan
(¥ billion)

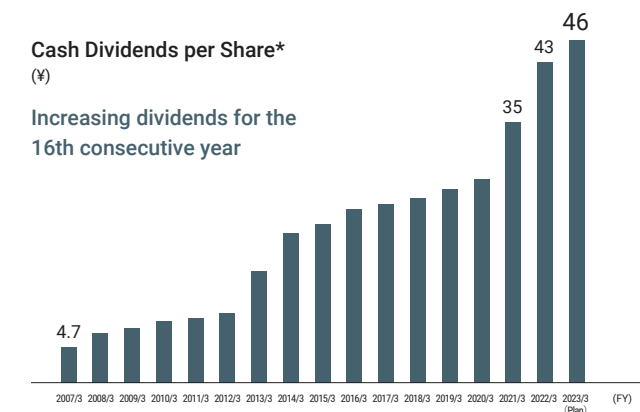


Shareholder Returns

Based on a sound financial position and after securing funds for investment in future growth, the Company comprehensively takes into account consolidated business performance, free cash flows, the expectations of each shareholder, 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.

In view of Shift up 2024, the Company has decided to raise the level of returns to shareholders in light of its higher profit levels. Specifically, we raised the DOE from 4.5% to 5.0% based on the projected levels of ROE and dividend payout ratio. Accordingly, following an increase in the annual dividend per share for the 16th consecutive year, from ¥43 per share in FY2022/3, we plan to increase the dividend to ¥46 per share in FY2023/3. Going forward, we will work to provide even higher levels of return to shareholders by continuing to strengthen our business capabilities. Decisions on share buybacks will be made based on a comprehensive review of investment in future growth and share price, cost of capital, increases in shareholder value, and other factors. While it continues to increase significantly, we will strive to

raise the level of TSR even further by increasing both financial and non-financial value through our pursuit of Shift up 2024 and the strengthening of our engagement with investors.



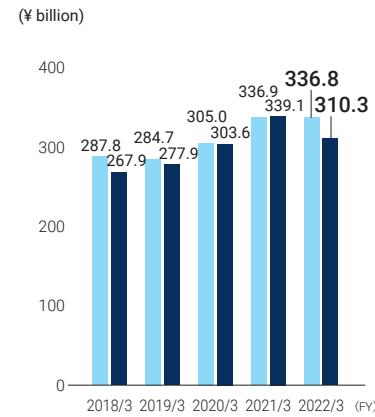
* Figures prior to the fiscal year ended March 31, 2020, have been adjusted to reflect the three-to-one stock split on June 1, 2020.
 * Estimates as of April 28, 2022.

Financial & Non-Financial Highlights

Financial Data

Orders Received / Net Sales

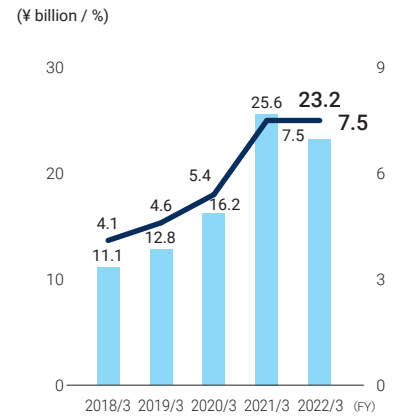
Despite the major impact of the absence of large projects such as the GIGA School Program and semiconductor / material shortages, leading to a decline in net sales, priority fields, such as the DX-related and telecom businesses, steadily expanded.



■ Orders received ■ Net sales

Operating Income / Operating Margin

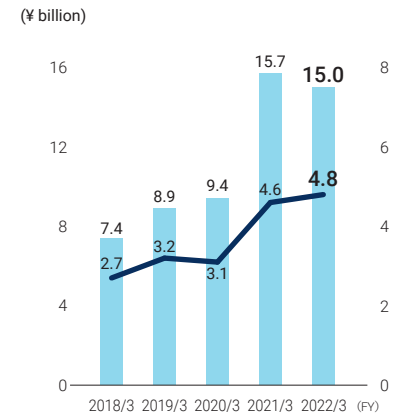
Despite a decline in operating income due to lower net sales and an unprofitable project, operating income and operating margin surpassed the targets under the previous plan, through improvements in cost efficiency and added value.



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

Net Income Attributable to Owners of the Parent

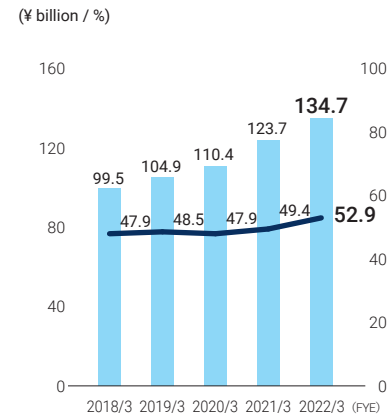
Despite a decline in net income attributable to owners of the parent due to lower operating income, the ratio of net income to net sales improved to 4.8% due to less extraordinary losses.



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

Owner's Equity / Owner's Equity Ratio

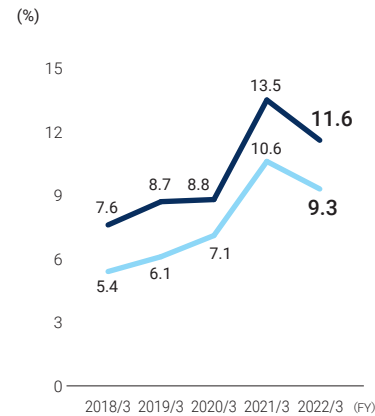
The owner's equity ratio came to 52.9%. As a company that facilitates the development of social infrastructure, we will maintain a solid financial base.



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

ROE / ROA

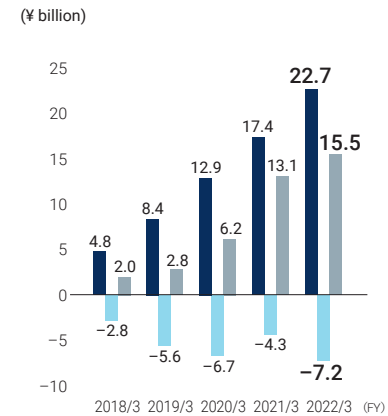
Despite a decrease due to lower incomes, ROE remained above the 10% target of the previous plan as capital efficiency improved due to higher profitability and working capital efficiency.



■ ROE — ROA

Cash Flows

Despite an increase in net cash used in investing activities, free cash flows increased due to an outweighing increase in net cash provided by operating activities.

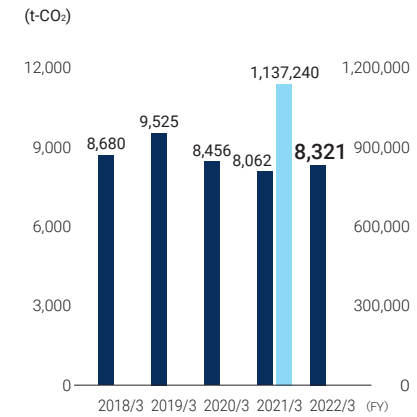


■ Net cash provided by (used in) operating activities
■ Net cash provided by (used in) investing activities
■ Free cash flows

Non-Financial Data Non-consolidated

Greenhouse Gas Emissions

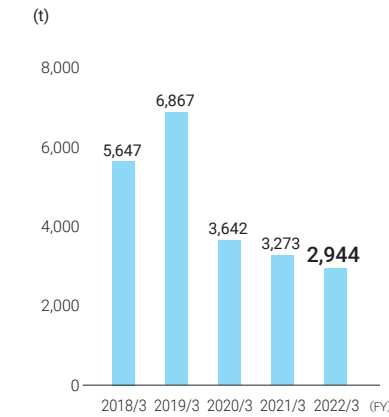
We are working to reduce greenhouse gas emissions with the aim of helping realize a low-carbon society.



■ Scope 1+2 ■ Scope 3*
* Scope 3: Only data for the fiscal year ended March 31, 2021. See P52 for details.

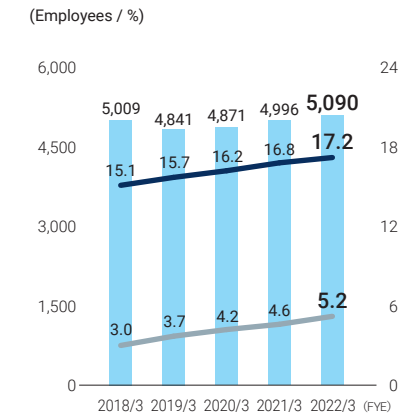
Total Waste Emissions

Bearing in mind the importance of protecting the global environment, we are striving to reduce the amount of waste emissions from our business activities.



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

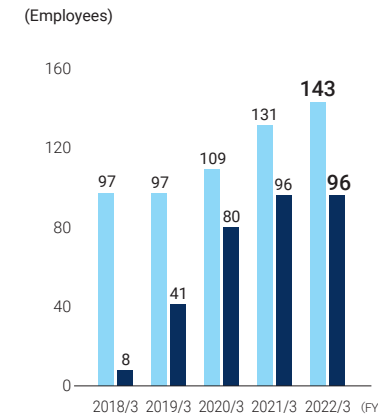
The number of female employees and the ratio of women in management positions continue to rise as they are playing an active role in a wider range of fields.



■ Number of employees (left) — Ratio of women (right) — Ratio of women in management positions (right)

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

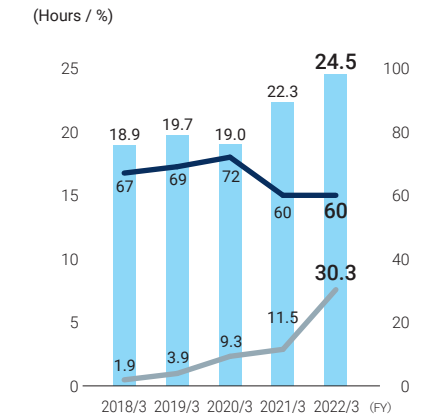
New graduate and mid-career hires continues to rise each year and individuals of various backgrounds are thriving in their respective roles.



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

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

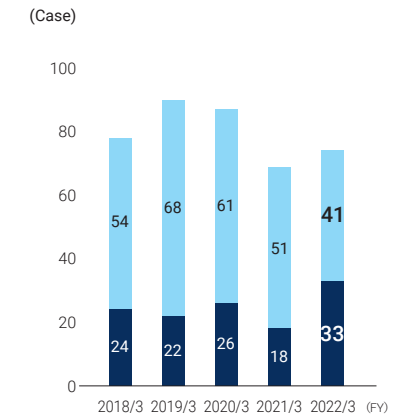
While temporarily affected by the introduction of super flextime and hourly paid leave systems, making our workstyle more flexible, we will continue to work to achieve even more efficient and effective workstyles.



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

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.



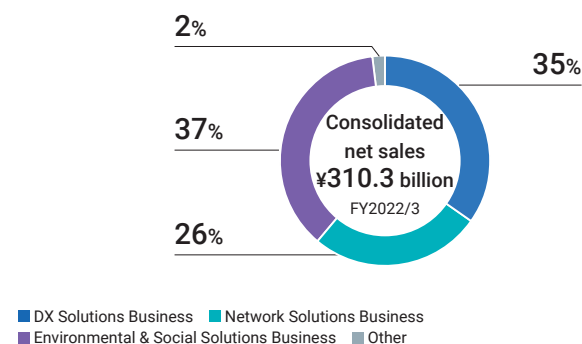
■ Sexual harassment and human relations
■ Corporate ethics

Overview of Business Segments

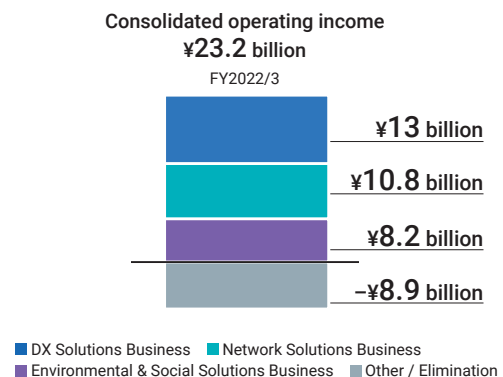
At NESIC, we aim to establish a spiral-type growth model in which we build recurring relationships as a strategic partner to our customers, centered on our site-specific and self-implementation-based consulting services. At the same time, we will continue to enhance our ability to create social and customer value through the data we accumulate via these recurring business processes.

To that end, we have optimized our organizational structure by adding a market-specific approach to our existing technology-specific organization and optimized our business segments. Going forward, we will proceed with the new medium-term management plan based on these new business segments.

Breakdown of Net Sales



Operating Income



Business Segments

Business Segment	Net Sales (¥ billion)	Operating Income (¥ billion)
DX Solutions Business	¥108 billion	¥13 billion
Network Solutions Business	¥81.9 billion	¥10.8 billion
Environmental & Social Solutions Business	¥115 billion	¥8.2 billion

Note: All figures are for FY2022/3.

DX Solutions Business Description: The DX Solutions Business provides network environments and ICT tools for workplaces and other systems and services, 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, the metaverse, and other cutting-edge digital technologies. We also help diversify and enhance the quality of new workstyle approaches by addressing social issues such as balancing work with childcare and nursing care, increasing job satisfaction, and preventing the spread of COVID-19 and other infectious diseases.

Network Solutions Business Description: 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 networks for telecommunications carriers, 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 communication 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 multi-vendor 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 Description: 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.

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

Overview by Business Segment

DX Solutions Business

VISION

Utilizing our DX-related know-how accumulated through workstyle innovation and knowledge in data use, we will resonate with our customers and help transform their business models and achieve sustainable management on the road to becoming the leading provider of DX services.

Seiji Shiga

Senior Vice President
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

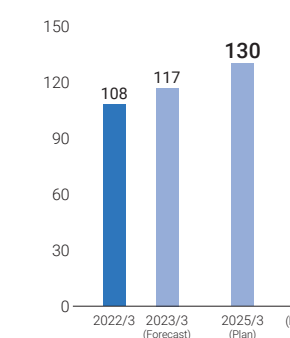
Strengths / Features

We are currently seeing a rapid trend toward cloud computing as a means to reform workstyles and business processes. By anticipating this trend and accelerating the implementation of the use of DX technology through co-creation with customers and partners, the Company has transformed its business model from one centered on product SI to a solution service delivery model based on the implementation of the use of DX technologies. This has led to a rapid uptake of demand for workstyles tailored to the new normal that have been expanded in the wake of COVID-19.

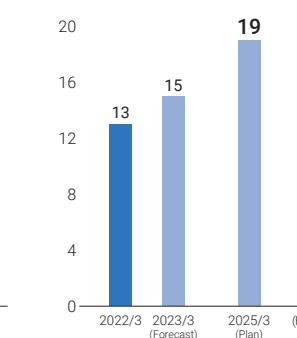
Under the new medium-term management plan, we will build on this model by working in unison with our customers to develop recurring relationships. We will expand our system operation and maintenance services for the non-core business fields of our customers by drawing on our long-cultivated know-how on the use of DX technology and our SI application capabilities, a perennial strength of ours that is well-versed in the business of our customers. We intend to operate our business through "offerings" in which data / AI analysis based on various operational information obtained will visualize customer issues and make proposals for improvement, and thereby expand business. Through this cycle, we will provide high-value-added services that will provide further strength to our customers' businesses.

Moreover, we will expand the scope of application of our know-how on workstyle and business process innovation from corporate offices to the smart industry domain, where it will be utilized on factories, as well as to the public domain, where it will be used by government agencies to resolve social issues in new areas such as laborsaving, optimization of logistics and employee flow at factories, and improvements to residential services and revitalization of regional communities by local governments.

Net Sales (¥ billion)



Operating Income (¥ billion)



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

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.

Kazuhiko Takeuchi

Senior Vice President
Chief Engineering Officer (CENO),
Member of the Board
Executive General Manager,
Network Solutions Business Unit



Opportunities / Threats

- Promotion of wider use of 5G technology to realize the Digital Garden City Nation concept
- 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)
- 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

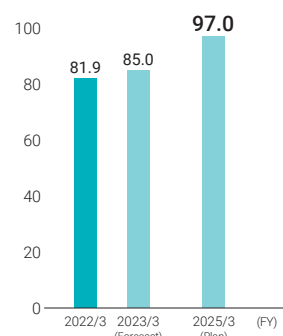
Strengths / Features

There is a need among telecommunications carriers to streamline capital investments and reduce costs, and the Company views this need as a business opportunity. In edge/access network, including base stations, we will not only increase operational efficiency through DX but will also convert our know-how into solutions. Meanwhile, in regard to the core network infrastructure, we will provide solutions to new issues that emerge along the trend toward openness. The Company will also work to develop services that help telecommunications carriers reduce their operational costs, including business process outsourcing (BPO) and automated operational monitoring services. In addition, we will actively engage in the local 5G market, which is expected to expand going forward, and leverage our strengths in both of base stations and core network development with a view to becoming one of the leading 5G infrastructure companies in Japan. We will also combine the industry and business know-how of NESIC and other companies in order to develop a vertical organization that extends to the service domain.

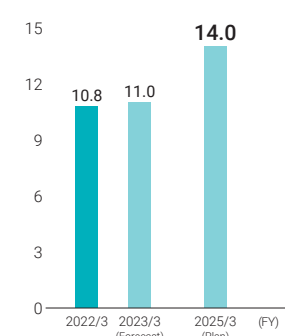
In the social infrastructure field, we will transition to businesses that help resolve social issues through the integration of DX and AI into our existing technologies and deploy our existing business know-how and solutions to adjacent industries. In the outer space field, we will transfer our

satellite operation know-how to the private sector and provide services such as satellite image analysis using AI. In the marine field, we will transfer submarine network technology for use in the installation of power lines in offshore wind power generation, which is expected to increase in demand going forward.

Net Sales
(¥ billion)

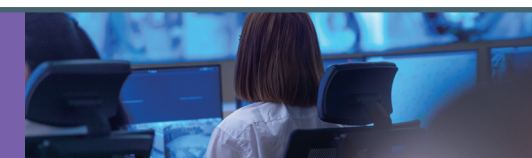


Operating Income
(¥ billion)



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

Environmental & Social Solutions Business



VISION

On the strength of our engineering capabilities and our full-service structure, 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 worldwide.

Hiroshi Nagao

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



Opportunities / Threats

- Increase in ICT investment triggered by the realization of a green society and the digitalization and disaster prevention and mitigation by local governments
- Decline in legacy system maintenance due to the shift from product SI business to cloud services

Strengths / Features

- Nationwide support service system that covers everything from enterprise to mission-critical telecommunications infrastructure
- NESIC's 24/7 full-service structure
- Nationwide response within two hours from approximately 400 locations
- Japan's leading nationwide construction resource

Strengths / Features

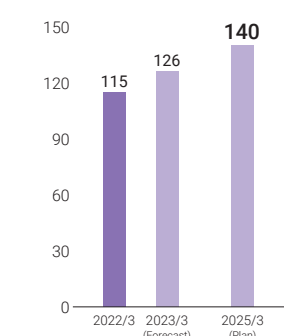
The Environmental & Social Solutions Business boasts front-line capabilities that have been cultivated through the development of infrastructure for various local governments and social infrastructure providers based on a comprehensive construction and service structure that spans all of Japan. Based on these capabilities, the Company will engage in the business of developing new communities and digital towns by strengthening the DX field. We will embrace the challenge of resolving regional social issues such as "safety and security," "environmental awareness," "regional revitalization," and "economic circulation" through disaster countermeasures that utilize video information, data, and AI; regional services that utilize next-generation networks and DX technology; and onshore fish farming aimed at advancing primary industries. In so doing, we will work to develop communities where people can continue to live safely and with peace of mind.

In terms of environmental consideration, we will review the know-how we have accumulated to date from the perspective of a green society while helping to resolve issues and expand our business. We will approach this from the viewpoints of addressing the need for power-saving measures through the provision of liquid immersion-cooled data centers and the shift to smart buildings that utilize our proprietary building management system as well as cooperating

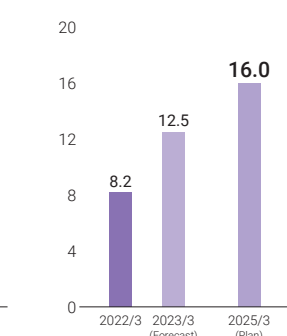
with providers of microgrids and other electricity management services.

In addition, we will improve both the quality and profitability of our construction and service infrastructures, which underpin our Groupwide operations, by utilizing DX technologies, such as for assessing risks through the use of AI and visualizing the activities of the front lines through the use of data.

Net Sales
(¥ billion)



Operating Income
(¥ billion)



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

NESIC has teamed up with FLARE SYSTEMS Ltd., a venture company specializing in local 5G, to commercialize a software base station developed through the University of Tokyo's cutting-edge local 5G technology and promote its implementation throughout society. In this section, we will discuss the aim behind our co-creation efforts and our vision for the future.

Implementing Local 5G via Software Base Stations

Arikawa: First, I'll briefly explain the relationship between FLARE SYSTEMS and NESIC. Since around 2015, NESIC has been conducting R&D with Dr. Akihiro Nakao, a professor at the University of Tokyo and a leading expert in 5G research. This led to an invitation from Professor Nakao to work together toward the commercialization of a software base station at a time when 5G was still at the dawn of its revolution, and this was the reason behind the establishment of FLARE SYSTEMS.

Mr. Nakagawa: In the past, it was the role of manufacturers to commercialize the outcomes of basic research conducted by universities; however, we are no longer in an age where products are sure to be purchased if created. Rather, we must



place emphasis on the ways in which these products are implemented throughout society. This is also an extremely important point to consider when promoting the use of local 5G. In my mind, there is no better scheme than to have FLARE SYSTEMS take on the task of commercializing the University of Tokyo's cutting-edge research results, while NESIC assumes the role of implementing them throughout society, including maintenance services, by drawing on its know-how as a system integrator.

Arikawa: NESIC has positioned Beyond 5G (next-generation networks)

as a major pillar of its strategy under the current medium-term management plan. In order to expand the use of local 5G throughout society, we must enhance our portfolio and provide customers with a more extensive range of options. We hope to do so alongside FLARE SYSTEMS. Local 5G enables the use of licensed bands, which were only available to telecommunications carriers until now, and will herald an age where companies and local governments will be able to utilize networks according to their respective needs. The software base stations developed by FLARE SYSTEMS can be adjusted for additional functions by updating the software, without having to rely on the use of hardware. The fact that we can respond quickly not only to 5G but also to the Beyond 5G is a major advantage. In fact, we have received inquiries from many customers already.

Mr. Nakagawa: I believe the industrial world is where we will see the biggest change as a result of local 5G. For instance, local 5G can be used in the manufacturing industry to ensure that products flowing along the production line at speeds invisible to the human eye are managed for quality assurance in a timely manner using high-definition cameras. It would also facilitate the autonomous management of production operations.

Moreover, as local 5G enables wireless connections between devices, the layout of production lines can be readily changed and thereby contribute to significant improvements in production efficiency. We anticipate a rapid growth in production innovation through the use of local 5G in the years ahead.

Addressing Social Issues through the Use of Local 5G

Arikawa: We are also proceeding with efforts to utilize local 5G to address the issues of primary sectors. In the fishing industry, we are conducting tests on the real-time monitoring of underwater conditions from land by transmitting

high-precision images taken by a remotely operated underwater drone at oyster farming sites via local 5G. In this way, we believe that local 5G is able to demonstrate its true value not only in urban areas but also in rural areas, where the use of 5G services offered by telecommunications carriers has yet to become widespread. I believe the use of local 5G in primary sectors, such as agriculture and forestry, in addition to companies in general will help revitalize local regions.



Mr. Nakagawa: I agree. Because software base stations can perform the functions of a base station with a general purpose server without the need for special hardware, users can build networks at low cost. Due to their advantages from both an ease of use and cost perspective, I believe software base stations will be embraced by a wide range of customers.

Arikawa: We will leverage NESIC's nationwide network to ensure that we provide solid support to not only urban areas but to rural areas as well.

Taking a Three-Pronged Approach to "Elevating Society"

Mr. Nakagawa: Local 5G will become the focus of wireless networks in the coming years. It is very rewarding to be at the forefront of such a turning point in time. I hope that we continue to proceed as a market leader while ensuring that the co-creation relationship between the University of Tokyo, NESIC, and FLARE SYSTEMS remains intact.

Arikawa: Our goal at NESIC is to become a leader in local 5G, which can be described as a private network. Going forward, we will utilize our three-pronged approach to steer the market forward while providing society with value that is unique to NESIC along the path to "Elevating Society," the theme of our Shift up 2024 medium-term management plan. Mr. Nakagawa, thank you very much for your time today.

We will strive to continue to proceed as a leader in cutting-edge technology.

Takayuki Nakagawa

Representative Director,
FLARE SYSTEMS Ltd.



We will provide value that is unique to NESIC along the path to "Elevating Society."

Yohei Arikawa

Senior Manager,
Multi-wireless Development Group,
Digital-Town Promotion Division,
Business Design Operations Unit,
NEC Networks & System Integration Corporation

At NESIC, we are firmly devoted to supporting local governments in their promotion of DX. In this section, we will introduce the DX initiatives we are promoting with Joyo City, which has selected us as its DX promotion partner.

■ Joyo city hall ■ NESIC

Our Unique Consulting-Based Approach

Mr. Araki: Our relationship with NESIC began upon our request to introduce Zoom in order to address the spread of COVID-19 and the need to incorporate web conferencing. We received proposals from a number of companies in regard to the formulation of Joyo City's DX implementation plan. However, NESIC's proposal was unprecedented in Japan, identifying issues that the city had to address through direct engagement with employees in the entire city hall. This willingness to do whatever it takes to help us achieve our goal was the main reason for settling on NESIC.

Okuda: Over the years, the Company has provided customers with support on DX through its self-implementation approach. We knew that we could provide value that was unique to NESIC to the city of Joyo by working closely with them in their promotion of DX. I believe we were able to gain the city's understanding of the importance of embracing change in all of its employees through the promotion of DX and not being content simply with the formulation of the plan.



Tomoya Okuda

■ Section Chief,
Keiji Branch Office,
Kansai Branch Division,
Marketing & Sales Operations Unit

Takao: When we first discussed this plan two years ago, DX in local

government was an area that no one had explored. Realizing that it was a chance to learn how DX would be promoted by a local government, we embraced the opportunity.

Identifying Issues through Direct Engagement with Employees

Okuda: As a first step toward promoting DX, we began by ensuring that all employees gained a better understanding of DX. The mayor of Joyo City, Mr. Toshiharu Okuda, personally distributed a video to all sections of the city hall expressing the significance of DX and the city's commitment toward this project, which inspired us even more to firmly respond to such expectations. We then asked the city hall employees to compile a list of their duties, and began meeting them in person twice a week to discuss the details. While the list contains as many as 3,500 duties, we have already engaged with more than 70 departments and are on the verge of completing interviews with all of them.

Ms. Wakayama: When conducting interviews in each department, NESIC was very supportive from the outset, engaging in the formatting of interview sheets.

Mr. Araki: Mr. Okuda visited the city hall so many times to join in on interviews, sometimes for as long as 12 hours per week. It must have taken a toll on him.

To be honest, there were moments when I thought the service was excessive. I jokingly said that I would have turned down the project if I was the president. However, we were able to gain advice from a perspective that was unfamiliar to our organization, which served as an opportunity for our employees to gain new insight.



Masato Araki

■ Administration Officer and Department of
Projects and Personnel Management

Mr. Tomita: Each section has its own way of working. As members of the same organization, it is not easy to persuade them to change their approach. However, the objective views provided by NESIC have opened up possibilities to resolve our issues.

Mr. Kakiuchi: While the project took a toll on us as well, it turned out to be a great opportunity to reassess our operations, such as uncovering inefficiencies. I believe this will prove to benefit for handover at the time of employee transfer, which occurs regularly at the city hall. Above all, I was pleased to see a stronger vibe to make the city hall a better place through the use of DX.



Takeshi Kakiuchi

■ Department of Projects and Personnel
Management - Policy Planning Section
- Administrative Reform Subsection

From Improving Work Efficiency to Digitalizing Local Communities

Takao: The interviews have helped shed light on the issues common to all departments and the themes that should be addressed throughout the

organization. The next step will be to model business processes based on this information and to build a foundation to take concrete steps toward DX. The highlight of this project is yet to come.



Seiji Takao

■ Senior Manager,
1st Consulting Group,
Business Process Innovation Strategy Division,
Marketing & Sales Operations Unit

Ms. Wakayama: Needless to say, there would be no city hall without the residents of its city and so we want to not only improve the work efficiency of our organization but also enable these residents to



Naomi Wakayama

■ Department of Projects and Personnel
Management - Policy Planning Section
- Administrative Reform Subsection

experience the effectiveness of DX. We have had more opportunities to share views with neighboring municipalities as of late and hope to utilize these opportunities to promote DX in cooperation with other local governments.

Mr. Araki: I agree. Joyo City is approaching a major turning point with the opening of all lanes on the Shin-Meishin Expressway and the first-ever outlet mall in Kyoto Prefecture. We will look to accelerate DX toward the realization of a "new Joyo" and widen our association with other local governments. By so doing, we will enhance the city's capabilities as an extensive hub for collaborations and breathe new life into the city through improvements in convenience and lifestyles, which, in turn, will increase its permanent population. We look forward to NESIC's continued support as we work hand in hand toward this transformation.

Mr. Kakiuchi: I believe the improved work efficiency at the city hall as a result of DX and the innovating employee workstyles will ultimately lead to better services for the residents of Joyo City. This is the reason why I would like to see us accomplish our goal of improving work processes.

Mr. Tomita: It is essential not to make working on DX an objective, but improve the convenience of all residents. Just formulating the plan is not enough. We must firmly assure its effectiveness while putting it into action.



Kouhei Tomita

■ Department of Projects and Personnel
Management - Policy Planning Section

Okuda: To be honest, I was a bit hesitant at first when I saw the workload that was involved in this project. However, I was very encouraged when Mr. Takao stood behind me by saying that it would not be able to achieve our objectives unless the entire operations of the city hall were addressed. I was also inspired by the words of trust offered by the staff of the city hall. In order to fulfill the expectations of everyone involved, we at NESIC will do whatever it takes to bring this project to completion. I kindly ask for your continuous cooperation going forward. Thank you all for your time today.



Disclosures Based on TCFD Recommendations

In December 2021, NESIC announced its endorsement of the TCFD. To promote sustainability management and realize an inclusive and sustainable society, NESIC discloses information in line with TCFD recommendations, engages in efforts to mitigate climate change-related risks, and creates and captures opportunities.

In addition to endorsing the TCFD, we have also joined the TCFD Consortium to exchange information with other companies and financial institutions that endorse the TCFD.

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, chaired by the President, 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.

One outside director with deep insight into sustainability attends Sustainability Management Committee meetings as an observer. The Board of Directors directs measures based on the results of deliberations by the committee and reports to the Board of Directors. In this way, a system is in place for the Board of Directors to oversee the Company's climate change measures to ensure that they are properly promoted.

In April 2022, NESIC established the Carbon Neutral Promotion Division, directly controlled by the President, to further strengthen and promote carbon neutral strategies and management. The Carbon Neutral Promotion Division will formulate Companywide carbon neutral strategies, policies, milestones, targets, and other structures, working with related divisions to create competitive advantages,

Strategy

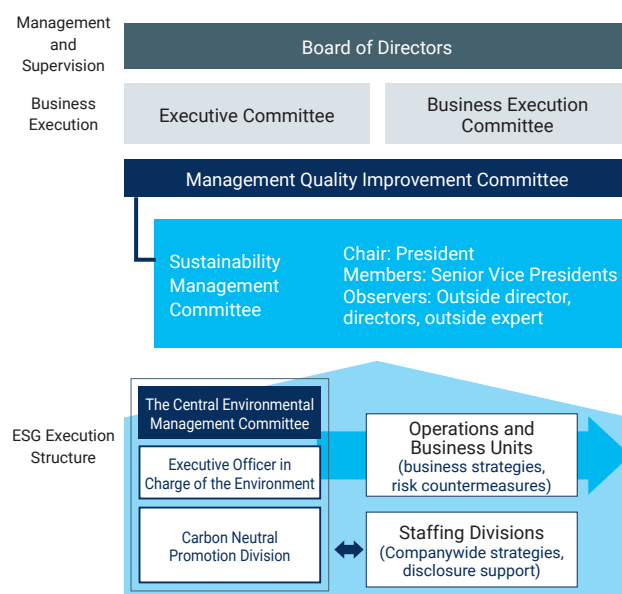
NESIC recognizes that assessing the business impact of climate change-related risks and opportunities, as well as formulating countermeasures, are essential for both realizing our vision of an inclusive and sustainable society created through communications, and ensuring business sustainability.

To understand the impact of climate change on our business and identify climate-related opportunities and risks, NESIC referred to scenarios SSP2-4.5 and SSP1-2.6 in the Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC).

While we recognize the differences in degree of impact between SSP2-4.5 and SSP1-2.6, we focus on SSP1-2.6 as this has been deemed sufficiently large and there are no

Further, as a member of industry group The Communications and Information Network Association of Japan (CIAJ), we participate in efforts to address climate change led by the Liaison Group of Japanese Electrical and Electronics Industries for Global Warming Prevention, and promote industrywide efforts such as the Action Plan for Achieving a Low-carbon Society to prevent global warming.

uncover new business opportunities, co-create with customers and partners, and develop green transformation (GX) strategies necessary for achieving carbon neutrality.



significant differences in terms of the direction of NESIC business strategies. We will continue to monitor the business environment, and as necessary, examine business conditions under different scenarios.

Additionally, we referred to NEC Group assumptions regarding decarbonization scenarios in Japan, compared them with business environment assumptions in long-term Company strategies, analyzed the differences, and identified risks and opportunities related to climate change.

We conduct scenario analyses through Companywide discussions involving the environmental, planning and public relations departments and business divisions, and will continue examining strategies going forward.

Main climate change-related risks

Category	Main risks (NESIC overall)	Timeline / Impact	Main initiatives
Government policies and laws	• Loss of business opportunities due to inability to meet customer and supply chain demands	Medium term / Medium	• Reducing power consumption through office and workstyle innovation, procuring energy through in-house PPA*
Markets and ratings	• Cost increases due to higher prices and lower supplies of materials such as semiconductors, resins and steel, leading to difficulties in obtaining components and materials	Medium term / Medium	• Encouraging suppliers • Implementing sustainability activities throughout the supply chain to secure components and materials
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	Long term / Medium	• 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)
	• Heat stroke during outdoor work, increased health risks for employees due to high temperatures, and decreased outdoor work productivity	Long term / Medium	• Utilizing robots for remote operations • Managing workers' physical condition using wearable devices

* PPA: Power Purchase Agreement

Main climate change-related opportunities

Category	Main opportunities (NESIC overall)	Timeline / Impact	Main initiatives
Markets	• Increasing need to utilize AI, IoT, and digital technologies as all of society moves toward decarbonization • Expanding business domain and market access through collaborations and co-creations with other companies • Growing business opportunities in new industries, including regional new electric power providers	Medium term / Medium	• Commercializing businesses contributing to decarbonization (decarbonization management support, co-creation businesses) • Creating businesses that generate economic cycles, starting with new electric power generation leading to regional revitalization and development
Resilience	• Rising demand related to citizen safety and security, including disaster prevention and mitigation • Burgeoning demand related to the strengthening operation and management of critical social infrastructure	Medium to long term / High	• Providing optimal DX solutions for municipal disaster prevention and corporate BCP measures, including visualization using video and data analysis technologies • Promoting smart disaster prevention and mitigation businesses, from design and construction, to maintenance and operational support

Business segment	Main opportunities (by business)	Timeline / Impact	Main initiatives
DX Solutions Business	• 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 innovations and ICT management based on DX, local 5G, IoT, and other ICT technologies	Medium term / High	• Promoting businesses and managed services that include enhancements to the DX platform Symphonix aimed at improving efficiency, visibility, and productivity through DX and AI • 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
Network Solutions Business	• Demand and opportunities are expanding for energy saving and enhanced resilience in carrier and public network infrastructure • 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 changes and disaster prediction using satellite imagery and other analysis methods	Medium term / High	• Enhancing technical capabilities in next-generation networks such as 5G, DX, and AI imagery and strengthening business through alliances and co-creation • Promoting BPO in operations and management by partnering more closely with customers • Enhancing market and business developments through co-creation with advanced partners in the offshore wind and aerospace businesses • Providing video surveillance and other predictive detection services for increasingly severe natural disasters
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 • Business opportunities are expanding on demand for renewable energy and diversified energy • 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	Medium term / High	• Participating in demonstration projects, strengthening market and business developments through co-creation with partners in the energy and community development fields • 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 • 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 • Promoting the in-house commercialization of onshore fish farming and enhancing business development through co-creation with leading local companies

Risk Management

In addition to torrential rainstorms, flooding, and other natural disaster risks, the range of threats that companies must consider, such as the Russian invasion of Ukraine, is expanding.

NESIC continuously identifies risk diversification in this highly changeable business environment, managing risks from the perspectives of minimizing damage and ensuring business continuity.

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

system led by the Management Quality Improvement Committee.

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

Indicators and Targets

Since formulating its Environmental Policy in 1996, NESIC has continued to reduce impacts from its business activities on the environment. In providing customers with environmentally friendly products and services, we contribute to lowering environmental burdens throughout society and maintain efforts to realize a sustainable society.

As a member of the NEC Group, in line with NEC Environmental Targets 2030 (NEC Group targets for environmental management), we are engaged in reducing our impact on the environment and risks, and expanding contributions through business activities.

To achieve NEC Environmental Targets 2030, NEC back-cast five years from 2030, creating the NEC Eco Action Plan 2025, under which NESIC determined the following KPIs to promote activities

<Major KPIs>

- Fiscal year ending March 31, 2023 : 40% reduction in CO₂ emissions from business activities (Scope 1, 2) (compared to fiscal year ended March 31, 2020)
- Fiscal year ending March 31, 2031 : 55% reduction in CO₂ emissions from business activities (Scope 1, 2) (compared to fiscal year ended March 31, 2020)
- Fiscal year ending March 31, 2051 : Net-zero CO₂ emissions from business activities (Scope 1, 2)
- Fiscal year ending March 31, 2024 : Set targets for supply chain CO₂ emissions (Scope 3)

<Growth strategy targets>

- Incorporate TCFD initiatives into management strategy (achievement of new medium-term management plan Shift up 2024)

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

In the fiscal year ended March 31, 2021, reductions in GHG emissions throughout the supply chain amounted to 1.14 million tons, of which NESIC emissions falling under Scope 1 and 2 amounted to 394 tons compared to levels in the same period of the previous year.

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.

Scope 3 Breakdown (Non-consolidated)

Categories		(t-CO ₂)	
		FY2021/3	FY2022/3
1	Purchased Goods and Services	585,067	Under calculation
2	Capital Goods	11,220	
3	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	1,397	
4	Upstream Transportation and Distribution	9,678	
5	Waste Generated in Operations	250	
6	Business Travel	2,335	
7	Employee Commuting	584	
9	Downstream Transportation and Distribution	27,223	
11	Use of Sold Products	498,276	
12	Category 12: End-of-Life Treatment of Sold Products	1,211	
	Total	1,137,240	

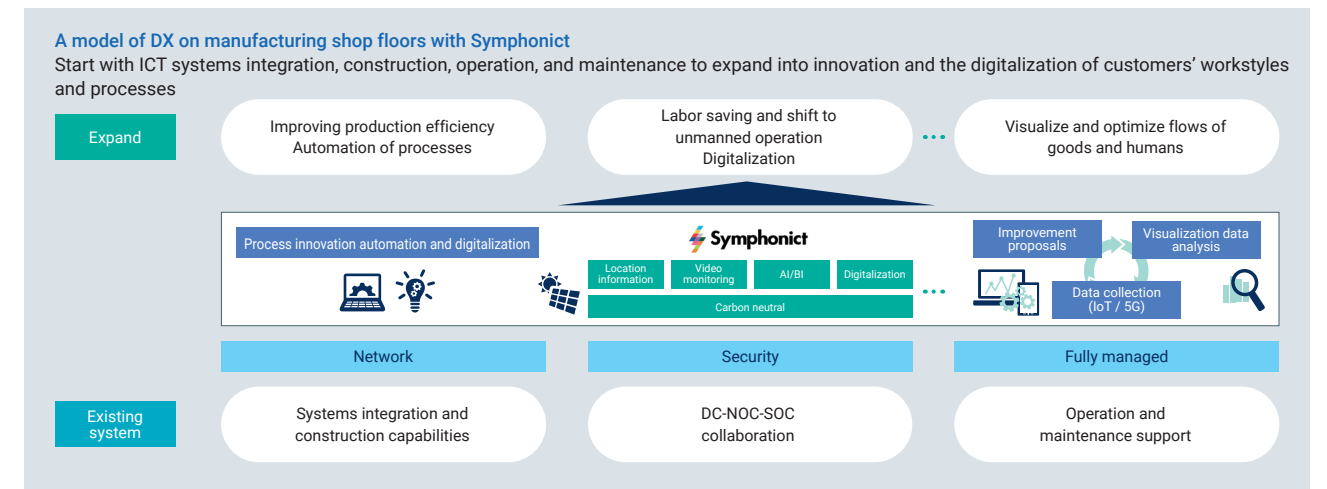
Notes:
1. Figures for the fiscal year ended March 31, 2022, will be disclosed on our corporate website in December 2022 (<https://www.nesic.co.jp/english/sustainability/environment/>)
2. Excludes categories 8, 10, 13, 14 and 15.

Measures for Achieving Targets

In all segments, we will utilize DX to enhance technologies and services cultivated up to now with an awareness of both mitigating and adapting to climate change, and become engaged in the power managed services domain in the ESS segment. In terms of workstyle innovation, we will expand the application of accumulated know-how to the public sector and manufacturing facilities, while reducing paper usage and electricity consumption through process reforms and the use of foliage on worksites to enhance our responsiveness to the environment.

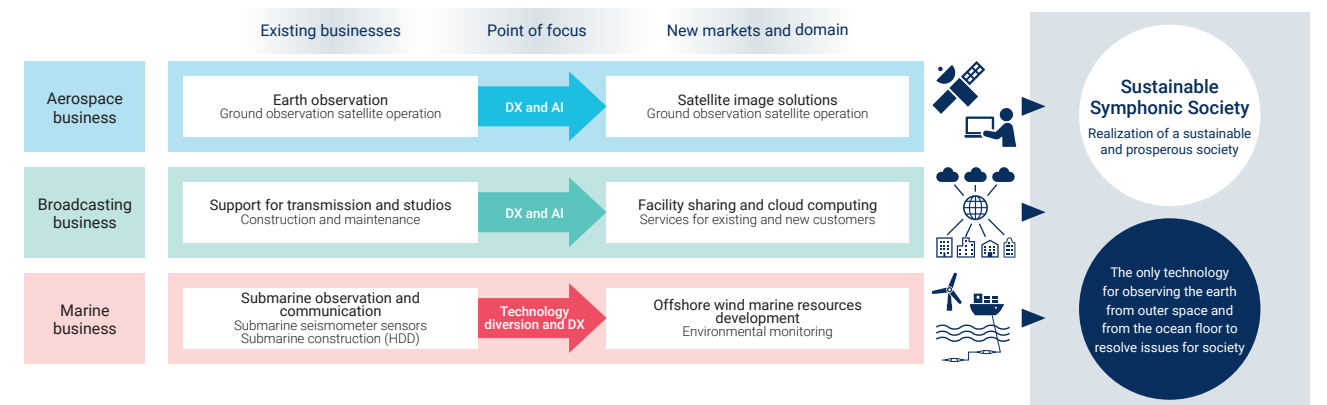
DX Solutions Business

NESIC utilizes DX application know-how cultivated through workstyle reforms to improve processes at manufacturing sites and other facilities with the aim of enhancing environmental efforts.



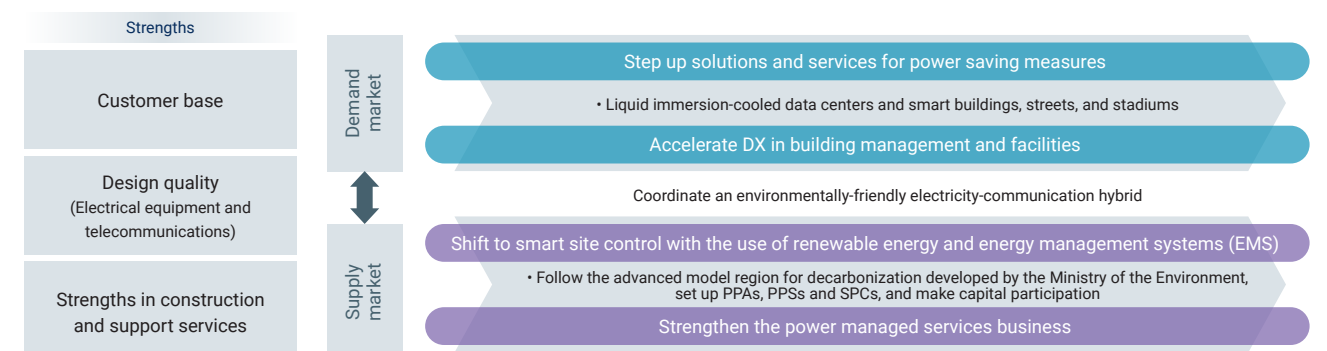
Network Solutions Business

Operate a business of solving issues confronting society by combining existing technologies with DX and AI



Environmental & Social Solutions Business

Continue offering eco friendly designs, products, and services; make efforts on zero carbon; and tackle climate change for stepping up actions for solving regional issues



Employees are NESIC's most important business resource. To ensure the Company can continue creating valuable solutions and services for customers and achieve sustainable growth and development, we have been developing and expanding human resources able to leverage expertise even in business environments where technologies and customer needs are rapidly changing and becoming increasingly sophisticated. Under the new medium-term management plan Shift up 2024, announced in May 2022, NESIC will realize DX × Beyond 5G, which are nearing the social implementation stage, and proactively invest in human resources who will drive the provision of higher social value, while continuing to acquire and develop diverse human resources with advanced expertise and accelerating initiatives in line with human resource strategies supporting the resolution of social issues and business growth.

At the same time, we are moving forward the creation of mechanisms enabling diverse employees to continue working with peace of mind, as well as the establishment of an environment in which all individuals can fully demonstrate their abilities and accelerate co-creation, innovation, and the creation of new value. NESIC will promote well-being, inclusion, and diversity to enhance proactive communication among employees, all of which are indispensable for innovation. Through these activities, diverse employees can freely exchange ideas, engage in work with excitement and enthusiasm, and create innovation and new value leading to a virtuous cycle facilitating ever higher engagement.

Establishing an Environment and Mechanisms Leading to Innovation

NESIC launched workstyle reform 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 throughout the Company, with the results and knowledge gained from these demonstrations and proactively adopted by customers during the pandemic, significantly contributing to the resolution of customer issues.

In addition to resolving social issues, including labor shortage mitigation and productivity improvements through workstyle innovation, NESIC will continue to take on the challenge of creating innovation through self-implementation, which is thoroughly entrenched in our DNA, to improve systems and mechanisms, and develop human resources.

● Accelerating self-implementation

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.

Further, the new offices NESIC will relocate to sometime around the end of March 2023 (located in Shibaura, Minato-ku, Tokyo) are also being examined and planned for use as a space for implementation and demonstration leveraging the advantages of leasing an entire building.

● Developing and enriching advanced human resources

NESIC will consolidate upstream consulting personnel in the Business Process Innovation Strategy Division, established in April 2022 to strengthen highly specialized proposal activities and enhance human resources through a variety of

activities. Further, 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 advanced technologies.

In the DX domain, we are increasing sophistication and efficiency in all processes and businesses, including among staff members, and expanding level-based education systems and programs to ensure all employees are DX natives. These digital transformations, as well as advanced technological areas such as next-generation networks and foundational technology education, are conducted by the Shin-Kawasaki Technical-Base. Going forward, we will strengthen technological capabilities through various technical training sessions, while proactively promoting human resource development initiatives through strategic investments. (→ P.38)

● Promoting an environment facilitating autonomous work styles and career development

In the fiscal year ended March 31, 2022, NESIC eliminated core work hours and introduced the super flex and hourly-based paid leave systems as a means of enabling employees to establish autonomous workstyles. We also introduced an in-house dual employment system aimed at encouraging voluntary employee participation in Companywide projects, as well as an online study service offering more than 16,600 courses employees can freely choose from, among other efforts to promote the creation of an environment enabling employees to autonomously develop their own careers.



inviting outside experts to hold lectures and workshops for managers, we have deepened their understanding of diversity promotion activities and made efforts to incorporate them in daily management.

In April 2020, we established the Inclusion & Diversity Promotion Committee, which is focused on continuous efforts to raise awareness regarding the utilization of

diversity in business, creating a work environment where female employees can demonstrate their capabilities and promoting a work-life balance.

Everyone at NESIC will work together to further promote the active participation of women and other efforts aimed at cultivating a corporate culture enabling employees with a diverse array of attributes, including people with disabilities and non-Japanese, to fully demonstrate their individuality and creativity.

● Promoting the active participation of women

Having announced an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, NESIC set a target of 10% for women in management positions (by the fiscal year ending March 31, 2027) in the Shift up 2024 new medium-term management plan, and is proactively engaged in promoting the active participation of women as an important management issue. We are working to improve ease of work and facilitate career development by 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 active participation among next-generation women.

• Ratio of women in management positions
2027 target:
10%
(5.9% as of April 31, 2022)
• Agreement with Challenge 203030 *
* A challenge set up by Keidanren for companies to have at least 30% women in board member positions by 2030

Health Management

For NESIC to grow sustainably, it is essential that all employees, who constitute the drivers of corporate growth, maintain their health. Further, 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.

<Health Management Declaration>

Creating a culture where employees can take the initiative—becoming Japan's top, healthiest, and most communicative company—

NESIC will foster a corporate culture enabling all employees and their families to maintain their physical and mental condition and take care of their health, while creating an environment and climate in which they can excitedly pursue their dreams. With the health and vitality of all employees as our driving force, we will contribute to the realization of a prosperous society.

● Health management initiatives

NESIC is promoting physical and mental health care, reductions in overtime work and the thorough use of paid leave. In recent years, to reduce the risk of lifestyle diseases

● Encouraging employment of people with disabilities

NESIC proactively promotes the employment of people with disabilities. We also make efforts to create more comfortable working environments for people with disabilities based on our belief in the importance of long-term employment. We proactively provide in-house job coach support and conduct ongoing interviews and follow ups after an employee joins the Company, resulting in a lengthening of the number of years worked by employees with disabilities, which averaged 16.0 years in the fiscal year ended March 31, 2022.

● Supporting a balance between work and childrearing

To enable employees of both sexes to maintain a balance between work and childrearing with peace of mind, NESIC is engaged in high level efforts including the creation of work systems enabling employees to approach work in a variety of ways, the enhancement of childcare-related systems and the creation of an environment in which employees can easily utilize childcare leave and return to work. In recent years, half of employees utilizing childcare leave, including short-term leave, have been men, with the return-to-work rate at 100% among both men and women.



"Platinum Kurumin" certification mark



Highest-grade "Eruboshi" certification

in particular, we are enhancing and promoting initiatives supporting smoking cessation, providing cancer screenings free of charge for those eligible, and increasing health awareness and behavioral changes through the visualization of health conditions. In visualizing health conditions, wearable devices were distributed to all willing participants (approximately 3,000 people as of March 31, 2022) linked to a health management app used to promote exercise, autonomous health management awareness and behavioral changes. Further, as one measure for enhancing employee health literacy, since 2021 NESIC employees have participated in a health test conducted by the Japan Master of Health Literacy Test Association. NESIC leads Japan with over 1,000 employees having received (basic) certification. These efforts have been recognized by external organizations, including being selected as a Certified Health and Productivity Management Outstanding Organization in 2022 (White 500, large enterprises category).



Certified Health and Productivity Management Outstanding Organization 2022

• Ratio of employees taking paid leave
2027 target:
100%
(60% in fiscal year ended March 31, 2022)

One aim of NESIC Group materiality is to improve employee well-being.

Creating conditions enabling all employees to be physically, mentally, and socially fulfilled with high engagement will lead to the creation of substantial social value, while also being important in terms of achieving further Group growth and becoming an attractive company.

To this end, the Well-being Promotion Office was established in April 2021. In addition to employee health, this office strives to maintain and improve employee well-being through cultural measures including the promotion of diversity and inclusion and the creation of a psychologically safe work environment.

NESIC Group Well-being Promotion Structure

○ Promotion concept

As well-being means something different to each person, we adopted the promotion concept “work and live in your own way” so that each individual can maintain their own values and intentions while mutually respecting others.

○ Promotion theme: WellBGs –11 Themes We Value–

NESIC created WellBGs*, comprising 11 themes being addressed on a company, organizational, and individual basis, aimed at realizing, maintaining, and improving well-being in an effort to promote a common awareness and understanding of well-being.

Note: WellBGs is a trademark of NESIC

- ① Everyone is naturally different!
- ② Everyone contributes to psychological safety
- ③ Team work achieves targets
- ④ Work environments should facilitate the taking on of challenges!
- ⑤ Maintain personally appropriate physical and mental health
- ⑥ Harassment: No way, never!
- ⑦ Convey gratitude with sincerity
- ⑧ Prioritize work-life balance
- ⑨ Your work is meaningful!
- ⑩ Participation in society enriches life
- ⑪ Find the key to your personal happiness

Maintain and improve well-being

1 Everyone is naturally different!	2 Everyone contributes to psychological safety	3 Team work achieves targets	4 Work environments should facilitate the taking on of challenges!
5 Maintain personally appropriate physical and mental health	6 Harassment: No way, never!	7 Convey gratitude with sincerity	8 Prioritize work-life balance
9 Your work is meaningful!	10 Participation in society enriches life	11 Find the key to your personal happiness	WellBGs

○ The NESIC Group well-being ideal

This image depicts Group well-being. With employees as main characters, this image expresses how each person proactively cultivates well-being. Employees and their families are looking ahead to the future well-being and sustainable society created by the Group.



○ Focus activities: Psychological safety initiatives

NESIC believes psychological safety efforts are indispensable for enabling all employees to share frank opinions and ask simple questions regardless of their position or experience within the organization or team. To this end, in addition to Companywide seminars, workshops are held for executive class employees and below. Ryosuke Ishii of ZENTech Inc., a leading expert in psychological safety in Japan, was invited to lecture on the correct way to learn psychological safety and other topics aimed at empowering each individual employee to take concrete actions.

- Fiscal year ended March 31, 2022: Implemented for executive officers and general managers
- Fiscal year ending March 31, 2023: Implemented for assistant general managers and senior managers

My sense is that NESIC initiatives are on track because of considerations for the organization and future on the part of everyone working in the Corporate Culture Design Office, Personnel Relations Division, Well-being Promotion Office, and in particular, the proactive participation of senior management and other managers. Although efforts aimed at achieving organizational improvements cannot be achieved overnight, if everyone at NESIC, including executives and senior management, works tenaciously on actions they have committed to, great strides will be made in the future. I will continue to work in harmony with you all!

Ryosuke Ishii
 Director, ZENTech, Inc.
 Director, Japan Institute of Cognitive Science
 Researcher, Keio University Graduate School of System Design and Management

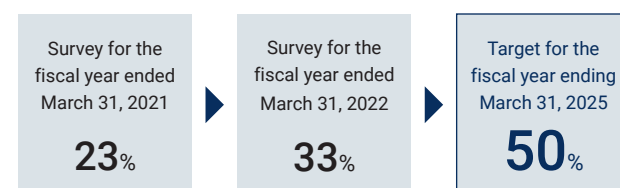


○ Toward a better, stronger organization

In addition to improving the well-being of all employees, NESIC also places importance on improving connections and engagement between the Company and employees. Inculcating empathy with the Company mission and an understanding of the social significance of the work one is involved in, while at the same time drawing out and utilizing the potential of individuals, we are consciously engaged in the creation of an organization enabling all employees to experience personal growth through work.

Engagement score status

(Scores obtained from a survey conducted by global human resource consultancy Kincentric).



* This score generally corresponds to the world's top 25%, and accordingly the Tier 1 level.

○ Toward in-house penetration

In-house penetration implemented from a variety of perspectives.

- **Events with outside experts**
 - Event promoting well-being considerations with Yoshiaki Ishikawa, President of Well-being for Planet Earth
 - Discussion on the importance of cancer screenings with Ichiro Ishida, Director of the Japan Cancer Society
- **Video: Making friends with well-being in five minutes**
 NESIC distributed an original program produced in-house comprising well-being elements presented by executive officers responsible for facilitating learning and understanding about the use of WellBGs

● In-house briefing session: Making friends with well-being in about 30 minutes

In-house briefing sessions are held as an opportunity to make well-being a personal priority.



Creating Mechanisms for Innovation

Our Approach to Becoming a No.1 Communications Company

One of the essential elements for a company to continue to change and grow is innovation, and the key to achieving this is vigorous communication. As part of our efforts to achieve our own growth in materiality, we have set forth the goal of “strengthening our ability to innovate to create new value,” and are fostering a corporate culture that encourages each and every employee to change and to embrace new challenges. Along with messages from the president, the employees themselves take the initiative in establishing and implementing initiatives to spur innovation, and by sharing these initiatives, we continue to take on the challenge of creating new value.

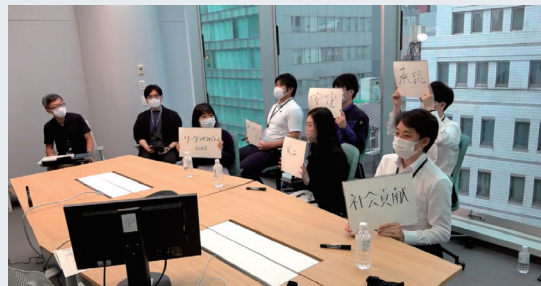
NESIC Group Pitch Competition

The Corporate Culture Design Office sponsored a business idea contest for employees of NESIC and its Group companies in Japan. The purpose of this contest is to foster a culture in which all employees, regardless of age, position, or affiliation, who are willing to take on new challenges are nurtured and highly recognized. Employees receive a presentation to evaluate each idea, and ideas that pass further review by external judges and management are considered for commercialization. The first contest, held between April 2021 and February 2022, received 133 entries.



Town Hall Meeting

In addition to “Ushijima Radio,” an audio distribution of talks between the president and guests for employees that has been conducted for some time, and “Ushitube,” video content that provides timely information within the organization, town hall meetings are held as a forum for dialogue between management and employees and are streamed online in real time. We conduct video distribution on themes such as materiality and sustainability that must be addressed throughout the organization, and invite Group companies to participate in such distribution with the aim of strengthening inter-company ties and creating synergies. By utilizing Slido, a cloud service that allows voting and surveys to be conducted in real time, we are able to achieve two-way communication.

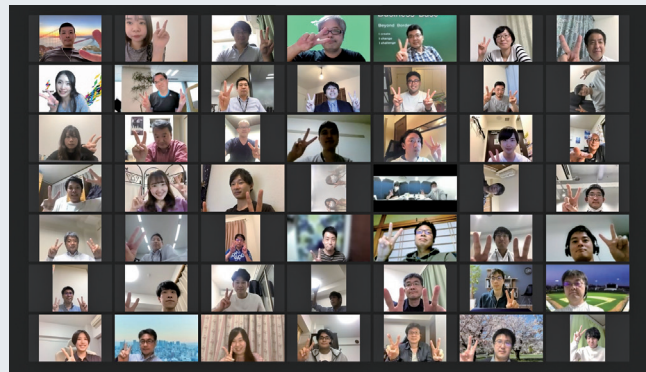


Promoting Internal Exchange via Online Events

In light of the limited opportunities to interact as a result of COVID-19, we hold a variety of online events to stimulate communication not only within departments but also across departments.

In the fiscal year ended March 31, 2022, we held an event in which approximately 140 people, from new employees to executive officers, participated and interacted together to solve mysteries.

In such ways, we promote internal communication across departmental boundaries, which is essential to spurring innovation.



Establishing an Environment Suited to Spurring Innovation

The strengthening of technological capabilities and human resource development is indispensable for spurring innovation. We are reinforcing our foundation for sustainable growth by establishing an environment that facilitates these efforts. Furthermore, by setting up facilities for the evaluation and verification of cutting-edge technologies and showcases to offer hands-on experiences of the solutions we provide, we are creating a venue for co-creation with customers. We will continue to accelerate innovation through self-implementation and co-creation activities to create new value unique to the Company.

Shin-Kawasaki Technical-Base

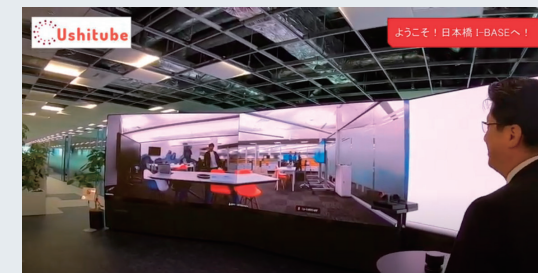
The Shin-Kawasaki Technical-Base was established in November 2020 for the purpose of evaluating and verifying advanced technologies and training engineers. Equipped with educational facilities using actual equipment, the facility plays an important role in strengthening our technological capabilities by passing on fundamental technological skills, improving expertise, and enhancing safety and quality through practical education. It is also used as a venue for developing new businesses through the evaluation and verification of cutting-edge technologies, including co-creation with customers and partners, and serves as a cornerstone of our innovation, as we have obtained a full license for a local 5G experimental test station to demonstrate applications in a real environment.



Shin-Kawasaki Technical-Base

Nihonbashi Innovation-Base

The Nihonbashi Innovation-Base was established in February 2020 as a venue for creating open innovation through the seamless use of digital technology and co-creation with customers and partners. In July 2022, we set up a showcase for resolving issues that consists of solutions to promote DX in local governments and for which we began accepting customer tours, further accelerating co-creation by leveraging the know-how accumulated through our self-implementation practices.



President Ushijima explaining how the Nihonbashi Innovation-Base is connected to Silicon Valley via Zoom on Ushitube

Relocation of Company Headquarters: Positioning the New Head Office Building as a Hub for Creating New Workstyle Concepts

We have decided to relocate our headquarters, with the move slated to take place at the end of fiscal year ending March 31, 2023. The new head office building 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 on 2030 through our self-implementation practices and co-creation with customers and partners. In preparation for the relocation, we will select technologies to be introduced at the new head office and look into study themes to be demonstrated at this facility.

Communication with Stakeholders

Communication with Customers

NESIC recognizes the important role that creation in harmony with its customers, as strategic partners, plays in its efforts to put into practice the recurring and cyclical growth models outlined in its Shift up 2024 medium-term management plan.

We conduct customer satisfaction surveys to identify our strengths and weaknesses in dealing with customers, which we use to make improvements and strengthen our communication with them. In addition to the satisfaction survey for ongoing customers and survey on the evaluation of our solutions and services, we initiated an additional satisfaction survey for new customers in the fiscal year ended March 31, 2022.

As business styles evolve, we will listen carefully to the voices of a broad range of customers and work to make the necessary improvements that fully address expectations.

<Results of the latest survey>

In the latest customer satisfaction survey, more than 90% of respondents marked satisfied as their reply. Moreover, evaluations improved across almost all of the areas surveyed, including the continued use of our solutions and services as well as the degree of recommendation.

Communication with Suppliers

In the project orders it receives, NESIC utilizes labor suppliers who subcontracts for such on-site work as installation and local coordination, as well as suppliers of hardware and software for system integration projects. These suppliers are important stakeholders who are essential to the execution of our business. While communicating with suppliers through business trend briefings, visits, and surveys, we are strengthening the cooperation structure throughout the supply chain with the objective of contributing to SDGs. In this way, our procurement activities are sustainable and fair.

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 (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

NESIC 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 at each stage of contracting, awareness, self assessment questionnaire (SAQ), and on-site inspection.

In October 2020, we revised and renamed our Supply-Chain CSR Guidelines to the Guidelines for Responsible Business Conduct in Supply Chains. We have also begun to ask suppliers to sign the Declaration Concerning Responsible Business Conduct in the Supply Chains. For more information, please see the following link.

https://www.nesic.co.jp/shizai/shizai_sustainable.html
(In Japanese only)

In addition to inspections of documents presented to us by signatories to the Declaration outlining the state of progress concerning activities to promote responsible corporate activities, we provide feedback on evaluation results.



Details of the Company's Declaration of Partnership Building Announced

- Promoting cooperation, coexistence, and co-prosperity with business partners

The Company has announced details of its Declaration of Partnership Building in support of the aims outlined by the Council on Promoting Partnership Building for Cultivating the Future (the Cabinet and Office and Ministry of Economy, Trade and Industry of Japan, and others). We aim to build new partnerships by promoting cooperation, coexistence, and co-prosperity with supply chain partners and businesses seeking to create value.

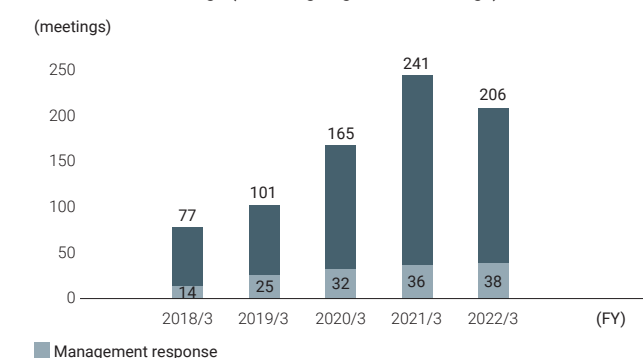
Communication with Shareholders and Investors

NESIC has a disclosure policy of explaining its business conditions and management policies to shareholders and other stakeholders in an accurate and timely manner. Management periodically engages in dialogue with shareholders and investors on capital markets in Japan and overseas, including through briefings and interviews. In dialogue with participants in capital markets, in addition to dialogue by the investor relations section, we regularly set up briefings for investors, individual meetings, and other opportunities for dialogue with the president and other senior management, as well as engagement with investors responsible for ESG in cooperation with the department in charge of sustainability. To 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 May and June 2022, we held small meetings for sell-side analysts on the segment strategies of our newly announced medium-term management plan. NESIC was among the first companies to switch to online meetings and briefings from March 2020 to prevent the spread of COVID-19. In light of the significant increase in the number of engagements with market participants thanks to the higher efficiency of online meetings, as well as the growing interest

of capital market participants in the Company's core areas, we continued to actively engage in dialogue with the market in the fiscal year ended March 31, 2022.

The opinions and requests received from these meetings are reported to all executives, including independent directors and auditors, from the investor relations section, and reflected in efforts to strengthen management and improve corporate value.

Number of IR meetings (excluding large-scale meetings)



Examples of Opinions Received at Meetings with Investors and NESIC's Responses

Opinion

Looking at the way NESIC approaches environmental, social, and governance, or ESG, concerns, I believe that the most important theme of S (Social) is people. In addition to an explanation of current numerical data, I would like NESIC to provide details of its progress in implementing initiatives and achieving targets. In particular, information from the engagement survey would be helpful.

Responses to these opinions:

Under the new medium-term management plan, we identified non-financial targets (→ P28) and disclosed human resource-related targets, including engagement scores. Looking ahead, we will provide an explanation of progress toward these targets. In this integrated report, we have also expanded our explanation of efforts to strengthen human resources from both the innovation creation and I&D / Well-being perspectives (→ P54-57).

Opinion

I am aware that the industry poses a low risk on the environment. As a global issue, I still believe there is a need for disclosure for comparative purposes. Coupled with expectations from a business contribution perspective, I would think that the Company could highlight the appeal of its initiatives.

Responses to these opinions:

NESIC has expressed its support for the recommendations of the TCFD and disclosed information based on the TCFD framework on its website and in this Integrated Report (→ P50-53). From a business perspective, we have declared that all of our businesses will work to address the issue of climate change in new medium-term management plan. Drawing on our inherent accumulated strengths, we will strengthen our efforts with a greater awareness of the environment.

Opinion

I understand that the key to increasing NESIC's earnings is to improve the gross profit margin by transforming its business model. I hope that the Company will disclose information on this point in a clearly visible way.

Responses to these opinions:

Further fine-tuning our efforts to address the needs of investors, we have initiated steps to disclose new data that can be provided on an ongoing basis. This includes service ratios, gross profit margin, and order backlog by segment in conjunction with its quarterly financial results announcements. This initiative is designed to provide details of changes and the current status of the Company's business in an easy-to-understand manner. Looking ahead, we will consider measures to ensure the disclosure of more understandable information.

Governance

Round-table Discussion among Outside Directors

NESIC's three outside directors sat down to actively share their views on the new medium-term management plan, governance, and other matters.



Outside Director
Michiko Ashizawa
 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 (present position)
 Associate Professor in Graduate School of International Management at Yokohama City University (present position)
 September 2016: Part-time instructor in Graduate School of Business Administration at Keio University (present position)
 June 2018: Outside director of the Company (present position)

Outside Director
Mamoru Yoshida
 April 2009: Officer, Panasonic Corporation Vice president, Panasonic AVC Networks Company, in charge of Consumer Business
 Director, managing executive officer, Panasonic Corporation President, Panasonic AVC Networks Company
 April 2012: Director, managing executive officer, chief technology officer (CTO), Panasonic Corporation
 April 2013: 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)

Outside Director
Kuniko Muramatsu
 November 2003: Officer, Ethics Office, Texas Instruments Japan Limited
 * Resigned in September 2009
 October 2009: Chief researcher, Business Ethics Research Center
 January 2010: Representative director, Wellness Systems Institute Co., Ltd. (present position)
 April 2016: Chair of the board, NPO GEWEL
 * Resigned in March 2019
 April 2018: Senior researcher, Business Ethics Research Center (present position)
 June 2019: Outside director of the Company (present position)

Looking Back on the Previous Medium-Term Management Plan Beyond Borders 2021

Ashizawa: The previous medium-term management plan concluded with brisk results and so there is a vibe within the organization to take another step forward under Shift up 2024, the new medium-term management plan. I am very pleased to see that what NESIC has accumulated over time has received tremendous recognition amid the changes in the times and yielded both quantitative and qualitative results.

Muramatsu: I agree. The fact that the Company was able to achieve the final year targets for Beyond Borders 2021 that it had reached a year in advance yet again in the final year of that plan, despite the effects of the semiconductor shortage and other challenges it faced, is a testament to the strengthening of its underlying capabilities as well as the possibilities that lie ahead. The Company has also accelerated its workstyle innovation in line with the movement toward the New Normal amid COVID-19, in addition to steadily gaining ground on major issues such as promoting awareness of materiality.

Yoshida: I, too, believe that the self-implementation, remote work, satellite office, and other efforts that the Company has been making ahead of everyone else have flourished amid its changing business environment. On the other hand, the number of customers has doubled almost instantly and the issue of how to manage this increase has come about. I will keep a close eye on the Company's initiatives under the new medium-term management plan.

New Medium-Term Management Plan Shift up 2024

Ashizawa: As illustrated by its slogan, "Elevating society," the new medium-term management plan reflects the Company's strong determination to become a company that continues to be valued highly by society. What impressed me when I took part in the discussions on Shift up 2024 from its formulation stage was the initiative taken by President Ushijima to engage employees of various positions and departments in the discussions. I am convinced that this will help promote awareness of the new medium-term management plan throughout the Company and convey a strong message to those outside the organization.

Muramatsu: What I paid close attention to during the series of discussions held by the Board of Directors was the formulation process of the plan. As Ms. Ashizawa just said, a diverse group of young to mid-level employees came together to develop the plan under the leadership of the management team. I believe this was an excellent approach in terms of strengthening the commitment of employees and enhancing the effectiveness of the plan. I asked questions and made recommendations

particularly in regard to how sustainability perspectives were going to be incorporated. The Company's aim toward the "Realization of a sustainable society with prosperity that resonates for all" has become an even greater possibility through its pursuit of materiality, and I commend the fact that sustainability perspectives were incorporated into the Company's strategy under Shift up 2024 by "advancing solution capabilities."

Yoshida: DX and 5G are simply mechanisms on their own. The Company will be called on to determine the types of goals that it strives to achieve and its approach to that end through the use of these mechanisms. From that perspective, I am impressed by the fact that the plan was formulated using a backcasting approach, whereby NESIC's vision of the type of company it aspires to be by 2030 is established and the three years leading up to 2030 are used toward the realization of this vision. I believe the plan clearly demonstrates the Company's stance of creating unique value toward the realization of its goal, by shifting up from "co-creation" to "creation in harmony" and continuing to expand the Symphonict platform, which promotes multi-cloud and the use of data. However, as the operating margin approaches the 10% level, the expectations placed on management will change completely. As long as it remains committed to adjusting and filling the gap between its ambitious goals and its current state, I believe the Company will continue to evolve as an organization.

Muramatsu: I feel exactly the same way. As it shifts up to a new stage, the Company is currently in a transitional period in which it must examine its decision-making process and execution structure, as well as the role of human resource development, employee evaluations, and organizational development. I look forward to actively providing advice from an objective and external point of view.

Ashizawa: Because I am often involved in research on startup companies and co-creation activities with the younger generation, I tend to feel that changes need to be

I am impressed by the fact that the plan was formulated using a backcasting approach, toward realizing its vision as the type of company it aspires to be by 2030.



Round-table Discussion among Outside Directors



We were truly convinced by President Ushijima's passionate remarks about the value of NESIC's consulting services.

made as early as possible. However, Mr. Yoshida, who has a wealth of experience in management, stated that we must proceed with caution when making "excessive" changes. Through the sharing of such multifaceted perspectives, I am sure that the things that should be changed and the things that should not be changed will become apparent.

Yoshida: It is important to not only eliminate the traditional Japanese corporate structure but to also effectively combine the merits of a pyramid organizational structure in terms of the things that can be accomplished only through this approach and a flat organizational structure in which the younger generation can actively participate within a free and open culture. For instance, with regard to the new business mentioned earlier by Ms. Ashizawa, it is necessary to have a leadership group in place in the form of senior management and complement it with some youthful energy. I believe the Company must be aware of how to manage the new challenges it will undertake while ensuring the continued success of its existing businesses.

Ashizawa: In our discussions on the new medium-term management plan, the topic of "consultation" was addressed in a rather hostile manner. Since the term also carried a theoretical meaning, everyone was opposed to it at first.

Yoshida: Based on my own experience in actual business, I did not have a very good image of the term "consultation" either. This is because proposals that do not reflect a clear understanding of the actual business of a company are often ineffective. However, when NESIC explained its unique consulting concept, which involves working closely with customers to identify the changes they hope to achieve and then implementing a spiral of co-creation, I came to believe that the realization of a highly valuable on-site consulting service that is unlike anything else was a possibility.

Ashizawa: We were truly convinced by President Ushijima's passionate remarks about how, amid the rapid evolution of technology and the profound growth in the application of DX, NESIC's consulting services would be sincerely valued if they could relate to customers based on the Company's own experience of implementing DX by overcoming challenges one at a time.

Muramatsu: President Ushijima decided to use that term in the sense of changing the mindsets of his employees as well. Management and other members must carefully explain the very definition and true intent of NESIC's consultation to each employee, in the same manner as they would to those outside of the Company. Of course, it is also important that they promote understanding of the reasons for incorporating sustainability and carbon neutrality factors into the strategies. Once these factors are fully understood, I believe that each employee will be able to carry out their respective duties on their own.

Promoting Inclusion and Diversity toward Realizing Creation in Harmony

Muramatsu: While the term co-creation and self-implementation is used rather casually, co-creating and then applying a project entails a highly sophisticated and diverse skillset. The Company's diverse team of personnel is equipped with the fundamental skills that have been accumulated through self-implementation, the ability to promote collaboration by connecting people and technologies, and extensive know-how on everything from proposals to implementation and construction. I believe the Company will be able to contribute to resolving a wide range of social issues as long as it is fully aware of, assembles, and demonstrates the strengths of its diverse workforce.

Ashizawa: This is a key theme of the new medium-term management plan. A process in which you engage with people from fields or cultures that are different from those interacted with to date can cause friction. I believe the key to spurring innovation through creation in harmony is the realization of true inclusion and diversity, which entails the acceptance and integration of different ways of thinking.

Muramatsu: This may come across as a bit harsh to say, but based on employee engagement scores, we can see that only 20%-30% of employees feel that they are demonstrating their full potential. In an era marked by changes to management styles and society, innovation will not occur unless we embrace the differences and strengths of each individual and broaden our perspectives. This is why "inclusion" comes first in inclusion and diversity. In this regard, I commend the Company for establishing KPIs and demonstrating a serious commitment to achieving them under the new medium-term

management plan. As an outside director, I will draw on my relevant background and expertise gained over the years to help the Company achieve its goals.

Defensive and Offensive Governance

Muramatsu: We have also had a few discussions on how to manage the increasing number and level of geopolitical and other risks under the premise of promoting a medium- to long-term global strategy. In terms of risk monitoring, as an outside director, I have consistently advised the Company to strengthen its system and other aspects of this area.

Ashizawa: Meanwhile, NESIC's market is expanding at a rapid pace through global co-creation. Accordingly, if too much emphasis is placed on defensive governance, then the offensive side will lag behind. I try to always encourage the Company to take the necessary risks and boldly take the offensive without being too defensive.

Yoshida: From a defensive perspective, as the chair of the newly established Special Committee, I closely monitor the existence of transactions that may conflict with the interests of minority shareholders, such as profits from business with NEC, the cost of procured materials, and the conditions concerning those who are transferred from NEC.

Ashizawa: As an NEC Group company, the Company boasts many benefits from a collaboration point of view. As outside directors, we will strictly monitor the concerns raised over the parent-subsidiary listing. However, we must also focus on how the NEC Group's assets will be incorporated into NESIC. This is another theme that should be interpreted from both offensive and defensive perspectives.

Muramatsu: I certainly agree. For example, the Group as a whole has significant assets and knowledge at its disposal from an environmental front as well. For that reason, I believe NESIC can develop new businesses and increase corporate value on initiatives those related to the TCFD in a timelier manner, if the Group can work together to the extent possible.

Ashizawa: In 2021, the Company established the Nomination and Compensation Committee, for which I have served as the chairperson. We have held discussions on the nomination of those senior management candidates who can boldly embrace change throughout the organization and demonstrate their vision both internally and externally within a rapidly changing business environment. We have also shared views on the selection of candidates from the perspective of the Company's strategies, in addition to its traditional approach to human resources, as well as on the development of a

sound management team that extends beyond the performance of senior management. The directors always listen carefully to our advice and address our difficult requests right away, and, therefore, I believe the Company is operating under highly effective management.

In Closing

Muramatsu: We must discuss the strengths of NESIC from not only a uniqueness aspect but also based on a firm understanding of the true nature of its business. For instance, we will continue to encourage the Company to verify its strengths and weaknesses through global frameworks on ESG assessment and utilize this information to enhance the quality of its management.

Yoshida: Through the steady execution of its strategy, I believe NESIC is fully prepared to shift up to the next stage. That said, I have the impression that, during the two years since I became an outside director, there has been very little awareness in regards to the Company's competition, due to its favorable external environment and the unique nature of its business. As NESIC takes further steps toward realizing its vision by 2030, I hope we can discuss more in-depth the type of value it must create by getting a clearer picture of its competition.

Ashizawa: Over the past four years, the Company has steadily gained strength under the leadership of President Ushijima and, because of that, I take pride in the fact that I am associated with NESIC. However, not everyone in the organization may have taken notice of this success. Therefore, I will provide the necessary advice to ensure that the Company's success is verbalized and communicated within and outside of the organization, inspiring all of its employees to take pride in being a member of NESIC and to strive toward its further growth.



I hope the Company continues to carry out discussions on its strengths and weaknesses to enhance the quality of its management.

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.

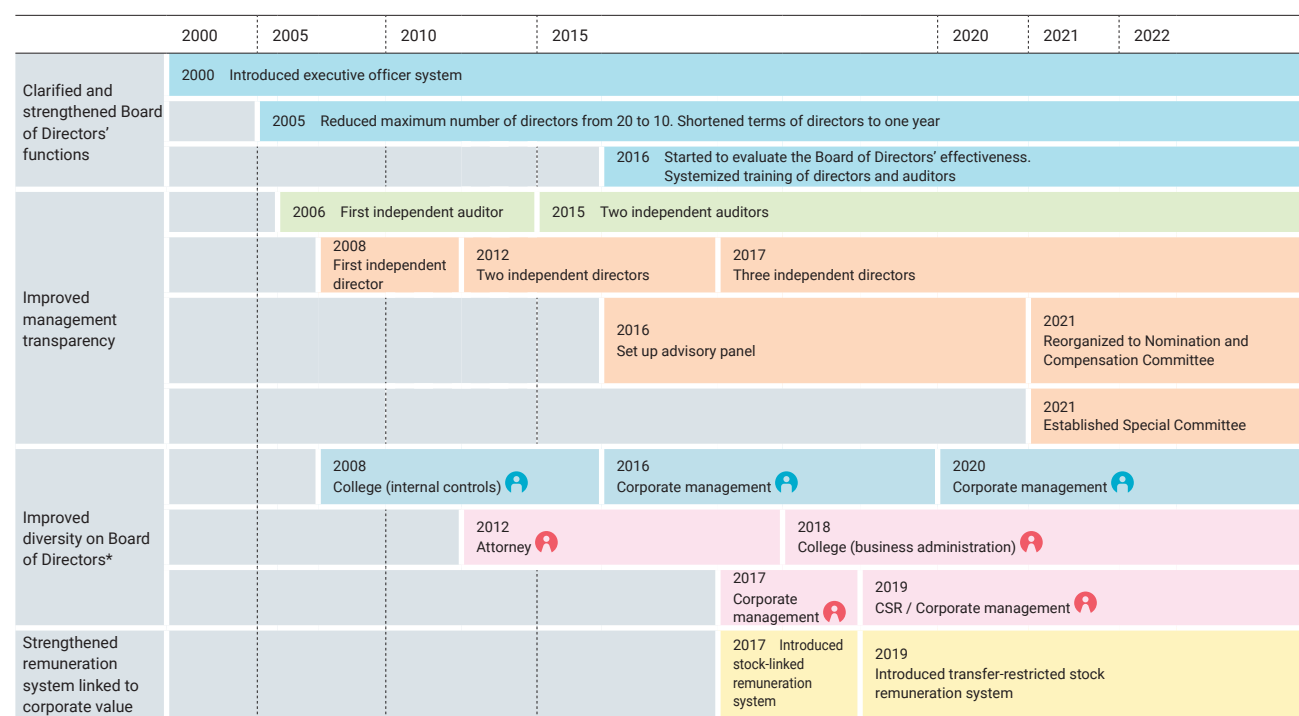
In April 2022, NESIC's Basic Policy on Corporate Governance was established to outline the Company's basic approach to corporate governance.

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 the sound management of the Company. In addition, the Nomination and Compensation Committee, chaired by an independent outside director and composed of 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, the Company has established the Special Committee, composed solely of 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.

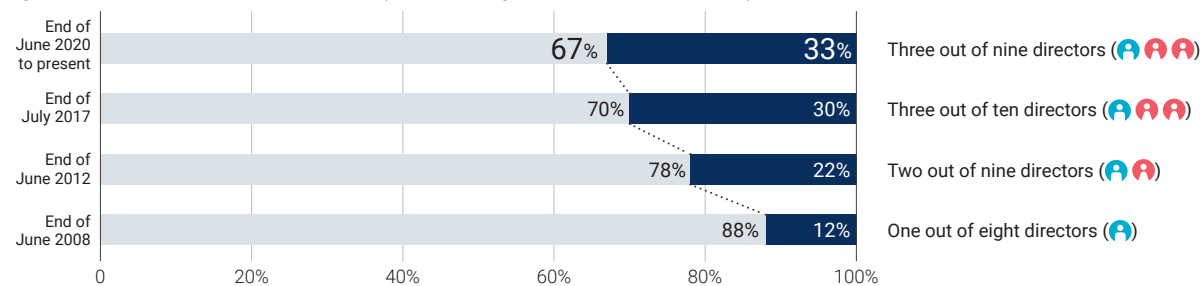
Starting with business execution that prioritizes compliance first and foremost, NESIC will examine and build an optimal corporate governance structure while listening to market demands.

History of Reinforcing Corporate Governance

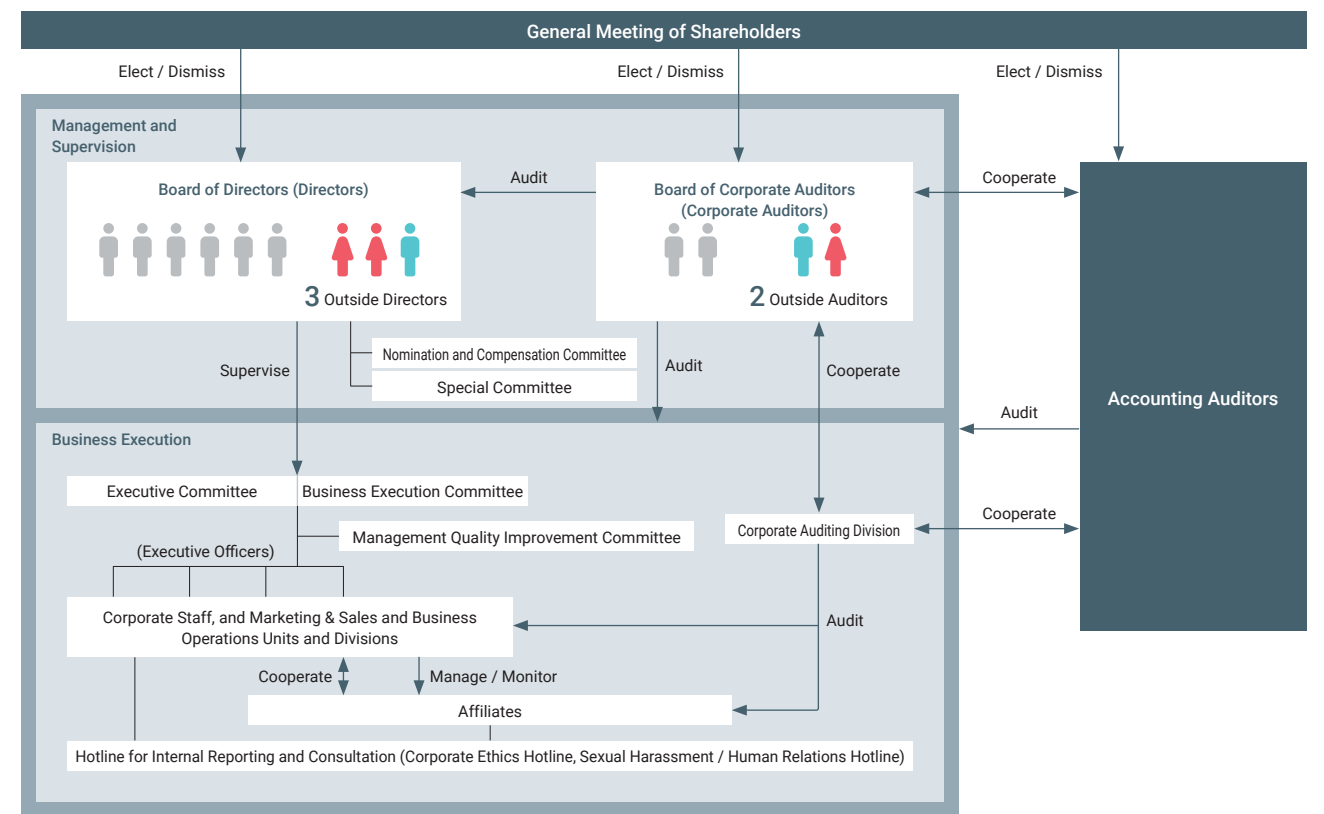


* Only for independent outside directors

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



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



1 Directors and Board of Directors

As the principal decision-making authority within the Company, 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 and employees. In this way, corporate auditors adequately monitor the directors as they perform their duties.

3 Executive Officers, Executive Committee, and Business Execution Committee

NESIC has introduced an executive officer system to 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 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

Previously, the Advisory Panel for Nominations and Remuneration

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 Michiko Ashizawa (independent outside director)

Chair: 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 for discussion:

- 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)

5 Special Committee

Newly established

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 Mamoru Yoshida (independent outside director)

Chair: The Committee shall discuss the following matters and report the contents and results of these discussions to the Board of Directors as appropriate.

Matters for discussion:

- Status of major transactions with NEC
- Conclusion of contracts in regard to M&As (including business transfers and acquisitions, divestitures, and mergers) with NEC and its subsidiaries
- Other important matters that may conflict with the interests of NEC and the Company'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 Parent Company	
<p>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 the 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.</p> <p>With a wide range of products and services that go beyond NEC products, NESIC is able to create value added by providing solutions in tune with the needs of its customers and society. Independent businesses generate over 70% of net sales. In particular, one of NESIC's unique strengths is its</p>	<p>provision of the NEC Group's relentless focus on quality to the development of multi-vendor services. In transactions with the parent company, the Special Committee was established in FY2022/3 to deliberate and review material transactions or actions that conflict with the interests of minority shareholders. Business transactions with the parent company are decided based on proper negotiations while referencing prevailing market prices. Terms and conditions are on equal ground with other business partners and to avoid conflicts of interest, the Special Committee and the Board of Directors verifies all business transactions with the NEC Group. 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 the Company stronger and leads to higher corporate value. In order to benefit from these advantages as a member of the NEC Group and as a listed company, NESIC must have systems in place for protecting the rights of general shareholders. With this in mind, the Company is strengthening its corporate governance structure by, for example, enhancing the composition of its independent directors and auditors, as noted above.</p>

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

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.

Name	Reason for Nomination	Main Concurrent Positions *2	Attendance during FY2022/3	
			Board of Directors	Board of Corporate Auditors
Michiko Ashizawa	Ms. Ashizawa has gained a wealth of experience through her roles as a certified public accountant at an auditing firm and in rehabilitation projects for large corporations at the Industrial Revitalization Corporation of Japan. She is also an expert in all aspects of business management, including through her current research in corporate restructuring, M&As, and other areas, and has worked as an instructor at a graduate school. Based on her breadth of knowledge in finance and management, we believe she will continue to play an appropriate role in advising and supervising the Company's management from an objective standpoint, and has been appointed for these reasons.	<ul style="list-style-type: none"> Associate Professor, School of Economics and Business Administration, Yokohama City University Associate Professor, Graduate School of International Management, Yokohama City University 	13/13	—
Kuniko Muramatsu	After serving as the head of the corporate ethics office and the person in charge of diversity promotion at a foreign semiconductor manufacturer, Ms. Muramatsu set out to develop a foundation for a sustainable society by establishing Wellness System Institute Co., Ltd., where she serves as an advisor on sustainability management while operating the company herself. She has also gained diverse experience through her roles as the head of a non-profit organization and as an instructor at a university. Based on her global perspective and exceptional knowledge in compliance, diversity promotion, and other areas, we believe she will continue to play an appropriate role in advising and supervising the Company's management from an objective standpoint, and has been appointed for these reasons.	<ul style="list-style-type: none"> Representative Director, Wellness Systems Institute Co., Ltd. Outside Director, YOKOWO CO., LTD. Outside Director, Kyushu Railway Company Outside Director, ROHM Co., Ltd. 	13/13	—
Mamoru Yoshida	Mr. Yoshida has gained a wealth of management skills and strategy-building capabilities from serving as a business manager in multiple fields, including overseas business. He also possesses extensive knowledge and experience in technology management, monozukuri (manufacturing) marketing, and other areas through his previous role as a chief technology officer. He has also been reforming corporate governance as a senior audit & supervisory board member since 2016. Based on his knowledge of monozukuri (manufacturing) and his extensive experience as a corporate manager, we believe he will continue to play an appropriate role in advising and supervising the Company's management from an objective standpoint, and has been appointed for these reasons.	—	13/13	—
Masayuki Horie	Mr. Horie has gained extensive knowledge in IT risk management and internal controls primarily in corporate management through his role as a university professor, and possesses a wealth of experience from serving as chair of the Japan Auditing Association. Based on his knowledge and experience, we believe he will continue to conduct audits on the legality of business execution and other matters from a fair and objective standpoint, and has been appointed for these reasons.	<ul style="list-style-type: none"> Professor, College of Commerce, Nihon University Outside Auditor, INTELLIGENT WAVE INC. 	13/13	14/14
Akiko Isohata *1	Ms. Isohata is an expert in corporate law and corporate governance and has gained a wealth of experience through her role as an attorney in the field of general corporate law. Based on her knowledge and experience, we believe she will conduct audits on the legality of business execution and other matters from a fair and objective standpoint, and has been appointed for these reasons.	<ul style="list-style-type: none"> Partner, Tokyo Hatchobori Law Office 	—	—

Notes:
 1. Ms. Akiko Isohata was newly appointed as a corporate auditor at the 90th General Meeting of Shareholders held on June 24, 2022.
 2. Main concurrent positions are as of June 24, 2022.

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

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 the Company's current business execution. In addition to these venues for independent directors

and auditors to engage with the Company, NESIC creates opportunities 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 the Company'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 corporate governance and leadership were held twice in the fiscal year ended March 31, 2022. Independent directors and auditors have adequate access to information on Company'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 or auditor, NESIC's 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, Nomination and Compensation Committee, which consist of a majority of independent outside directors, discuss nominations and voice 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 Board of Directors explains the reasons for their dismissal to the Nomination and Compensation Committee, which mainly consists of independent outside directors, in the event that a director is not adequately carrying out their duties. After receiving suitable advice, the Board of Directors makes a decision and moves to dismiss the director, which requires approval by the General Meeting of Shareholders.

Director Remuneration

Basic Policy on Director Remuneration

NESIC's remuneration systems reflect work responsibilities and results. Remunerations for Directors are 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.

Decision-Making Methods and Process for Remuneration

<Method for calculating remuneration>

- Fixed compensation (monthly compensation)
Fixed compensation is paid each month as a salary in amounts based on basic remuneration commensurate with rank, duties, and responsibilities, plus consideration for the individual performance of each director.
- Performance-linked compensation (bonuses)
Bonuses are paid at a certain time every year in amounts decided for each 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 the Company'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, 2021	Fiscal year ended March 31, 2022	Year-on-year growth
Net sales (¥ billions)	339.1	310.3	91.5%
Operating income (¥ billions)	25.6	23.2	90.7%

- 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 the Company'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 is chaired by an independent outside director and composed of a majority of independent outside directors. The Board of Directors has determined that the details of individual director

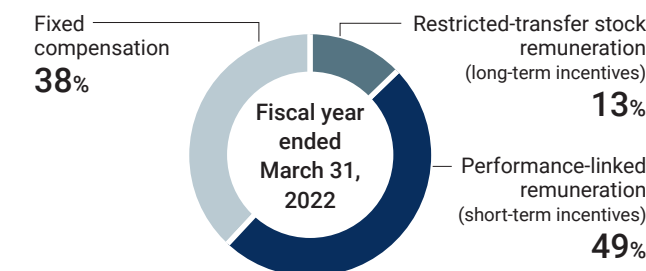
compensation for the fiscal year under review is in line with the decision-making policy.

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 the Company 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 the Company'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)



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

Corporate Governance

Director and Auditor Remuneration in Fiscal Year Ended March 31, 2022

	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	204	91	88	23	9
Outside directors	24	24	—	—	3
Auditors	44	44	—	—	4
Outside auditors	10	10	—	—	2
Total	248	135	88	23	13
	34	34	—	—	5

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, 2022, the Board of Directors meeting held on May 2021 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, 2022)

Four listed companies	¥72.8 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, 2022.

Improvement Activities Undertaken in Fiscal Year Ended March 31, 2022

In FY2022/3, NESIC's Basic Policy on Corporate Governance was formulated, clarifying the Company's basic approach to corporate governance. We also formulated our annual agenda for discussions and reviewed our method for managing agenda items based on the roles and functions to be prioritized by the Board of Directors, as clearly stated in the evaluation of the effectiveness of the Board of Directors for FY2021/3, in addition to reviewing the criteria for agenda items of the Board of Directors' meetings. Moreover, in formulating the new medium-term business plan, which will commence in FY2023/3, we worked to strengthen discussions on the new plan at the Board meetings by confirming the business environment of the Board of Directors, providing interim reports, and holding discussions on three separate occasions from the concept formulation stage. In addition, the Company 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, improved the format of documentation, and conducted off-site meetings).

Effectiveness Evaluation in Fiscal Year Ended March 31, 2022

(1) Analysis and evaluation process
 The evaluation of the Board of Directors' effectiveness for the fiscal year ended March 31, 2022, 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 the Company'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, 2022.

Although the Board of Directors' discussions focus on "the roles and functions of the Company's Board of Directors," which was formulated in accordance with the evaluation of the effectiveness for FY2021/3, we must continue to review its operations in order to strengthen functions from this perspective.
 "Formulate annual agenda for discussions and review methods for managing agenda items in light of the roles and functions of the Board of Directors," "review role of Board of Directors in process for formulating the next medium-term management plan," and "discuss issues for the next medium-term management plan and long-term issues for improving corporate value," which were identified as issues in the evaluation of effectiveness for FY2021/3, have improved on the whole through the implementation of the measures that were set in place.
 Based on these results, we believe the Board of Directors is operating appropriately and effectively.

(3) Future measures
 To continue to improve the operations of the Board of Directors, the following measures will be taken in FY2023/3;
 · 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 and system for following up on matters raised at the Board of Directors' meetings, and improve the training program for all board members, etc.)

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 FY2022/3, in addition to matters for resolution and reporting, a new category "matters for discussion" was established in order to strengthen

discussions on key matters concerning the business strategy and governance. During the year, discussions were also held on the formulation of our new medium-term business plan, which commenced in FY2023/3, and the evaluation of the effectiveness of the Board of Directors.

Period	Key Issues
First Quarter	<ul style="list-style-type: none"> · Evaluation of the effectiveness of the Board of Directors (matter for reporting) · Status of sustainability initiatives (matter for reporting) · Reporting of the status of cross-shareholdings (matter for reporting) · Submission of Corporate Governance Report (matter for reporting) · Allocation of director compensation amounts (matter for resolution)
Second Quarter	<ul style="list-style-type: none"> · Formulation of next medium-term business plan (matter for reporting) · Reporting on the status of business execution (Business Design Operations Unit, Network Infrastructure Business Unit, and Engineering & Support Services Business Unit; matter for reporting) · Liability insurance of corporate officers (matter for reporting)

Period	Key Issues
Third Quarter	<ul style="list-style-type: none"> · Progress of formulation of next medium-term business plan (matter for reporting) · ICT and DX strategies for next medium-term business plan (matter for reporting) · Selection of and application for new market classification and response to corporate governance code · Review of criteria for discussions by the Board of Directors (matter for resolution) · Reporting on the status of business execution (Digital Solutions Business Unit, Network Infrastructure Business Unit, and Marketing & Sales Operation Unit; matter for reporting)
Fourth Quarter	<ul style="list-style-type: none"> · Interim reports on next medium-term business plan (matter for discussion) · Establishment of NESIC's Basic Policy on Corporate Governance (matter for resolution) · Reporting on the implementation of the Nomination and Compensation Committee (matter for reporting) · Reporting on the operational status of the internal control system (matter for reporting) · Evaluation of the effectiveness of the Board of Directors (matter for discussion) · Reporting on the status of business execution (Digital Solutions Business Unit, Engineering & Support Services Business Unit, and Marketing & Sales Operation Unit; matter for reporting)

Directors & Corporate Auditors (As of June 24, 2022)

Directors



Yushi Ushijima
President and Chief Executive Officer (CEO)



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



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



Kazuhiko Takeuchi
Senior Vice President, Chief Engineering Officer (CENO), and Member of the Board



Toru Kawakubo
Member of the Board



Michiko Ashizawa
Member of the Board (Outside Director)



Kuniko Muramatsu
Member of the Board (Outside Director)



Mamoru Yoshida
Member of the Board (Outside Director)



Junji Ashida
Member of the Board

Corporate Auditors



Naoki Iwasaki
Corporate Auditor (Full-Time)



Yohei Otani
Corporate Auditor (Full-Time)



Masayuki Horie
Corporate Auditor (Outside Auditor)



Akiko Isohata
Corporate Auditor (Outside Auditor)

Main Background and Specializations That NESIC Expects of Each Board Member

Name	Independence	Areas of Special Expectations					
		Corporate Management	Technology	Sales and Marketing	Global	Finance and Accounting	Sustainability and ESG
Yushi Ushijima		●		●			●
Osamu Noda		●	●		●		
Hiroyuki Sekizawa		●			●	●	●
Kazuhiko Takeuchi		●	●	●			
Michiko Ashizawa	◎	●				●	●
Kuniko Muramatsu	◎	●					●
Mamoru Yoshida	◎	●	●		●		●
Junji Ashida							●
Toru Kawakubo				●			
Naoki Iwasaki						●	●
Yohei Otani							●
Masayuki Horie	◎						●
Akiko Isohata	◎						●

* These are areas in which the expertise and experience of each board member in particular can be expected to be demonstrated, and does not represent all of the skills and expertise possessed by each board member.

Corporate Data

Consolidated Ten-Year Summary

	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	
Performance Indicators (Millions of yen)										(Thousands of U.S. dollars)*1	
Orders received	¥241,271	¥280,071	¥299,097	¥274,946	¥279,241	¥287,831	¥284,739	¥304,978	¥336,877	¥336,759	\$2,751,523
Net sales	235,716	270,326	292,164	279,961	257,912	267,939	277,949	303,616	339,109	310,334	2,535,615
Gross profit	37,182	44,690	48,110	45,162	42,585	44,265	47,681	54,374	63,929	63,473	518,612
Operating income	12,483	14,418	16,158	14,111	9,974	11,057	12,774	16,245	25,563	23,181	189,402
Operating income to net sales (%)	5.3	5.3	5.5	5.0	3.9	4.1	4.6	5.4	7.5	7.5	—
Net income attributable to owners of the parent	7,246	8,257	7,791	5,996	6,549	7,357	8,885	9,422	15,745	15,021	122,730
Financial Condition (Fiscal year-end) (Millions of yen)										(Thousands of U.S. dollars)*1	
Total assets*2	¥167,472	¥189,059	¥201,904	¥196,505	¥197,386	¥207,643	¥216,171	¥230,244	¥250,338	¥254,701	\$2,081,060
Net assets	85,974	89,166	94,173	94,397	96,674	101,732	107,608	113,510	127,117	138,149	1,128,760
Owner's equity	85,266	87,514	92,559	92,738	94,611	99,473	104,888	110,366	123,682	134,742	1,100,923
Performance Indicators (Millions of yen)										(Thousands of U.S. dollars)*1	
Cash flows from operating activities	¥(1,723)	¥23,313	¥ 2,460	¥ 9,435	¥22,634	¥ 4,779	¥ 8,396	¥12,935	¥17,383	¥22,674	\$185,260
Cash flows from investing activities	(3,429)	(5,504)	(3,929)	(2,822)	(2,697)	(2,802)	(5,604)	(6,726)	(4,289)	(7,162)	(58,517)
Free cash flows	(5,152)	17,809	(1,469)	6,613	19,936	1,976	2,791	6,208	13,093	15,511	126,734
Cash flows from financing activities	(2,066)	(3,824)	(4,127)	(1,402)	(4,144)	(4,366)	(5,615)	(2,300)	(2,388)	(4,267)	(34,863)
Cash and cash equivalents at end of year	30,315	44,434	38,951	43,889	59,648	57,281	54,354	58,321	68,426	79,732	651,458
Per-Share Indicators (Yen)*3										(Thousands of U.S. dollars)*1	
EPS	¥ 48.57	¥ 55.35	¥ 52.24	¥ 40.26	¥ 43.98	¥ 49.41	¥ 59.67	¥ 63.28	¥105.73	¥100.85	\$0.82
BPS	571.58	586.68	621.53	622.75	635.34	668.01	704.40	741.12	830.47	904.66	7.39
Cash dividends	15.00	20.00	21.33	23.33	24.00	24.66	26.00	27.33	35.00	43.00	0.35
Key Indicators (%)											
ROE*4	8.8	9.6	8.7	6.5	7.0	7.6	8.7	8.8	13.5	11.6	—
ROA*5	7.7	8.2	8.3	7.1	5.1	5.4	6.1	7.1	10.6	9.3	—
Owner's equity ratio	50.9	46.3	45.8	47.2	47.9	47.9	48.5	47.9	49.4	52.9	—
DOE ratio	2.7	3.5	3.5	3.8	3.8	3.8	3.8	3.8	4.5	5.0	—
Payout ratio	30.9	36.1	40.8	57.9	54.6	49.9	43.6	43.2	33.1	42.6	—
Other											
Number of employees	6,024	7,164	7,260	7,464	7,572	7,657	7,743	7,818	7,537	7,675	—
Number of shares outstanding (FYE)	49,773,807	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	—

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥122.39 = US\$1.00 as of March 31, 2022.

*2 Partial revisions to accounting standards for tax-benefit accounting (Corporate Accounting Standard No. 28, February 16, 2018) have been adopted from the fiscal year ended March 31, 2019. Accordingly, the figures for the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2018 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, 2022)

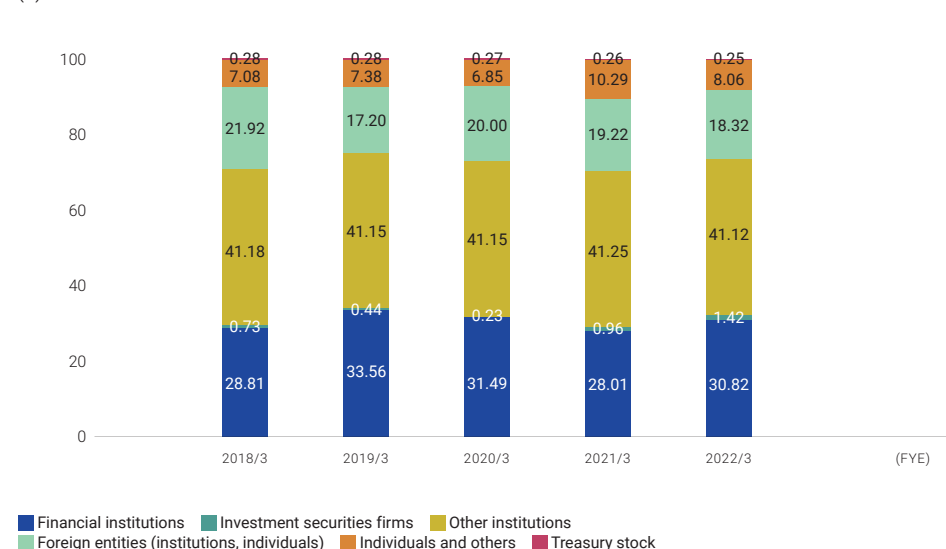
Number of Shareholders	16,776
Common Stock Authorized	300,000,000 shares
Issued	149,321,421 shares
Trading Unit	100 shares

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)	15,742	10.57
Custody Bank of Japan, Ltd. (Trust account)	7,790	5.23
Sumitomo Realty & Development Co., Ltd.	3,600	2.42
THE BANK OF NEW YORK MELLON 140044	1,828	1.23
Employees' Stock Ownership Plan	1,823	1.22
BNYM AS AGT/CLTS NON TREATY JASDEC	1,177	0.79
STATE STREET BANK AND TRUST COMPANY 510312	1,134	0.76
STATE STREET BANK WEST CLIENT-TREATY 505234	1,106	0.74

Notes: *1 Shares held by Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited beneficiary trust account, NEC Corporation retirement benefit trust account) give NEC Corporation material voting rights because NEC Corporation has contributed shares of the Company to its retirement benefit trust. The percentage of material voting rights held by NEC Corporation as of March 31, 2022 was 51.42%.
 *2 The percentage of total shares outstanding is calculated based on the number of shares excluding treasury stock (379,090 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.
 *3 The number of shares held is rounded down to the nearest thousand.

Breakdown of Shareholders by Type (%)



Corporate Overview (As of March 31, 2022)

Name	NEC Networks & System Integration Corporation	Major Consolidated Subsidiaries
Head Office	Iidabashi First Tower, 2-6-1 Koraku, Bunkyo-ku, Tokyo 112-8560, Japan	Japan
Established	December 1, 1953	● NEC Magnus Communications, Ltd.
Registered as a Stock Company	November 26, 1953	● NICHIIWA Co.
Capital	¥13,122,000,000	● NEC Net Innovation, Ltd.
Number of Employees	5,090 (Non-consolidated), 7,675 (Consolidated)	● NESIC advanced aquaculture, Inc.
Fiscal Year	April 1–March 31	● NetsForest RAS Technologies, Inc.
Ordinary General Shareholders Meeting	Annual meeting held in June	● Q&A Corporation
Listing	Tokyo Stock Exchange, First Section* * Prime market after April 4, 2022	● K&N System Integrations Corporation
Ticker Code	1973	● NEC Networks & System Integration Services, Ltd.
Accounting Auditor	KPMG AZSA LLC	Japan
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan	● NESIC BRASIL S/A
		● NESIC (Thailand) Ltd.
		● NESIC PHILIPPINES, INC.
		● Networks & System Integration Saudi Arabia Co. Ltd.
		● ICT Star Group Myanmar Co., Ltd.

Outside Evaluations

* 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

The environment in which we operate has changed dramatically in recent years. This is largely due to the rise of geopolitical risks and multiple issues including the incidence of COVID-19 and the large-scale disasters attributable to climate change. As new social issues continue to emerge and the world's values evolve along with these changes, communication can be expected to play an increasingly important role in society. In this integrated report, we have enhanced the disclosure of ESG information including our response to climate change and human capital-related initiatives, and made other improvements to disseminate information with higher value based on the demands of society and the opinions of our stakeholders concerning our strategies for implementing sustainability management, including the non-financial initiatives in our new medium-term management plan.

We will continue to shift up to a higher level in an effort to help realize an inclusive and sustainable society created through communication.