Management for Sustainability

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3. Management issues (materialities) determined to be of high importance to the NEC Group GRI 3-2

Materiality (Abbreviation)	Expected timeline of impact	Value chain with major impact	Impact on the environment and society[1] Upper row: Magnitude of negative impact and examples Lower row: Magnitude of positive impact and examples	Financial impact[2] Upper row: Magnitude of risk and examples Lower row: Magnitude of opportunity and examples
A Themes of the highest importance				
Implementing AI in society with the utmost respect for human rights (AI and Human Rights)	Short term (several years) to medium term (5 years)	Especially downstream (customers)	[High] AI is unintentionally used by a third party (direct/indirect customers for the NEC Group) for surveillance, infringing citizens' human rights	[High] If a significant human rights violation is caused, the impact will be large
			[High] In addition to improving and enhancing operational efficiency through AI, provide safety and security to society through the use of biometrics technology	[High] As an AI-native company, AI is a driver of growth
Providing security to protect the digital society from cyberattacks and other threats (Security)	Short term (several years) to medium term (5 years)	Especially downstream (customers)	[High] System shutdown due to cyberattacks, or leakage of customers' system personal information, etc.	[High] If a significant security incident is caused, the impact will be large
			[High] Provide system security at the national and societal level to prevent public services from being disrupted	[High] Security is a key technology and solution for protecting digital infrastructure
Responsible privacy protection to ensure appropriate data value creation (Privacy)	Short term (several years) to medium term (5 years)	Especially downstream (customers)	[High] Leakage of personal data collected from cloud-based services, etc.	[High] If a significant personal information leak incident is caused, the impact will be large
			[High] Enable people to enjoy the benefits of new solutions utilizing personal data	[Medium] Provide new services that generate revenue by using customers' data for innovation
Utilizing AI to drive transformation in employment and work styles (AI and Employment)	Risk aspect: short term (several years) Opportunity aspect: short term (several years) to medium term (5 years)	NEC Group	[High] Inability to secure necessary human resources due to employees' lack of skills to respond to new technologies, etc.	[High] A certain level of investment is required for the utilization of AI to become established
			[High] AI handles routine tasks, allowing humans to focus on higher value-added work	[High] In addition to reducing general and administrative expenses, labor productivity improves through the execution of higher value-added work
Promoting the creation and delivery of new value through an inclusive culture (I&D)	Risk aspect: short term (several years) Opportunity aspect: medium term (5 years)	NEC Group	[High] Due to unconscious bias, etc., vulnerable groups such as mid-career hires and women are not given opportunities, resulting in lost opportunities for talented individuals to play an active role	[High] Gender ratio imbalances adversely affect decision-making processes and quality in management [High] A certain level of investment is required for initiatives such as enabling people with disabilities to thrive and measures to ensure retention of mid-career hires
			[High] Achieve an inclusive culture in which diverse talent thrives and every individual—not only women—can realize their full potential	[High] An inclusive culture contributes to the creation of innovation
B Themes with major financial risks and opportunities				
Evolving corporate governance as the foundation for sustainable value creation (Corporate Governance)	Risk aspect: short term (several years) Opportunity aspect: medium term (5 years)	NEC Group	[Medium] Due to weak internal controls, incidents occur that undermine trust in the NEC Group globally	[High] Temporary cost increases accompanying structural reforms
			[Medium] Avoid undermining trust in the NEC Group globally	[High] In the medium term, improve productivity and profit margins under group governance with appropriate controls, placing high integrity first
Thorough compliance rooted in uncompromising integrity (Compliance)	Short term (several years) to medium term (5 years)	Entire NEC Group value chain	[Medium] The occurrence of violations of competition laws, bribery, etc. causes major losses to the NEC Group's reputation over a long period	[High] The occurrence of violations of competition laws, bribery, etc. leads to major losses. There are adverse effects over the medium to long term, such as being subject to debarment measures
			[Medium] Avoid undermining trust with zero compliance incidents	[High] Avoid losing business opportunities with zero compliance incidents
C Themes with major impact on the environment and society				
Visualizing and reducing the environmental negative impact of the value chain (Climate Change)	Short term (several years) Medium term (5 years) Long term (over 5 years)	Upstream (suppliers) and downstream (customers) NEC Group	[High] With the spread of AI, electricity and water usage at data centers increases	[Medium] Increased costs due to the introduction of carbon pricing, and increased response costs associated with customers' requests for 100% renewable energy production
			[High] By providing new solutions related to climate change, including resource circulation, realize a society in which weather-related disasters are reduced and resources can be used effectively	[Medium] Creation of business opportunities related to climate change measures, including resource circulation, such as visualization of environmental impacts/risks, AI-based analysis and quantification, and solution proposals centered on consulting
Promoting respect for human rights throughout the supply chain (Human Rights in the Supply Chains)	Short term (several years) to medium term (5 years)	Upstream (suppliers)	[High] Human rights risks to workers in manufacturing processes at global plants of suppliers (including outsourced production), risk of long working hours in software development, and occupational health and safety risks during construction, maintenance and inspection	[Medium] We are working in collaboration with suppliers, and while the likelihood of risk occurrence is low, reputational risk can be assumed if human rights violations are caused
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Ensuring employee safety and health promotion (Employee Health and Safety)	Risk aspect: short term (several years) Continuously implemented over the medium to long term	NEC Group	[High] Illness and workplace accidents caused by long working hours of employees, including temporary staff Resignations due to harassment and declining workplace morale	[Medium] We have been addressing this as a priority risk since the Mid-term Management Plan 2025 period, and while the likelihood of large-scale risk occurrence is low, reputational risk can be assumed if human rights violations are caused
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1. Impacts on the environment and society are evaluated based on scale and scope of impact, likelihood of occurrence, and remediability (risk only). Scores are based on the Company's standards (15-point scale). [High] is impact of 8 or higher, and [Medium] is impact of less than 8. Because this assessment was conducted by re-evaluating the existing Fundamental Materiality, items with small impact were not evaluated.
2. Financial risks and opportunities are assessed based on the company-wide risk management standards and the risk determination standards within the NEC Group. Scores are based on the Company's standards (5-point scale). [High] is impact of 3 or higher, and [Medium] is impact of less than 3.