The spread of COVID-19 continues to have a massive impact on the world today. It has brought about many important changes to our lives, sometimes leading to benefits, other times exposing problems. While some of these changes were forward-facing, such as the acceleration of digitalization and the expansion of workstyle reforms and cashless payments, the pandemic also shone a light on the sluggish efforts to digitalize Japanese society as well as the issue of the digital divide, making it a strong reminder of the impact of technology.

The pandemic, in a rather unplanned fashion, sped up the changes that would ring in the next generation of society, and after getting a glimpse into our ideal trajectory, I expect that there will be great strides taken toward the digitalization of society in the future. This experience has taught us that, if digitalization is to go forward, we cannot just transform our technology. We must also transform institutional and social systems, and we must transform our minds in a way that will accept these changes. For people’s minds to change, this transformation needs to take place without leaving the vulnerable behind; there needs to be an effort to build public trust toward digitalization and a willingness among every person, ourselves included, to adapt.

Our lives along with the future of the country will change drastically depending on our efforts to digitalize. As a social value innovator, NEC will continue to call on its R&D and highly trusted social implementation technology to serve as a base for promoting digital transformation across society, and to create new social value as part of ensuring a better future for society and our customers.

We will create new social value promoting digital transformation, thinking about the future of both society and our customers, with Purpose-driven Management at the foundation.
The NEC Way and the NEC 2030VISION
Creating a More Sustainable World Where Everyone Has the Chance to Reach Their Full Potential
Since its founding, NEC has created social value and engaged in social contribution by consistently working to resolve social issues. Guided by our founding spirit of “Better Products, Better Services,” in 1977 we advocated for “C&C” (the integration of computers and communications), a concept that foresaw the internet-driven world of today and one that is spreading throughout our current society.

To determine our ideal direction for the future, we asked ourselves what NEC is as a company and what we should do going forward; we looked back on the strengths we had cultivated over our history and we reexamined our purpose for being. This reaffirmed our strengths when it came to technology for supporting Japan’s infrastructure and mission-critical systems, as well as our track record in these efforts. These strengths were something we could transform into new value that could contribute to society. Believing that this was our purpose for being, we made a declaration to become a social value innovator, in 2013.

Subsequently, in April 2020 we redefined the NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself. As part of the NEC Way, we determined NEC’s Purpose, “Orchestrating a brighter world,” which involves creating “the social values of safety, security, fairness, and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.”

The NEC 2030VISION as a Compass for Management
If society identifies with our Purpose, I see it as confirmation that we are a trusted organization and that society sees value in NEC’s existence. To clarify what we are trying to achieve through this Purpose, we formulated the NEC 2030VISION to express what our ideal 2030 future looks like.

The NEC 2030VISION looks at future customers and uses their ideal environment, society, and life as the three points of a compass aimed at showing the path and business direction for NEC to follow. If our direction is in sync with the society heading into the future, we should be able to overcome the various difficulties that come along the way to achieving this ideal.

By using our business activities to realize the NEC 2030VISION, we will be able to seize the future together.

Mid-term Management Plan 2025
Purpose-driven Management—A Combination of Strategy and Culture
The Mid-term Management Plan 2025 is a business plan formulated to achieve the NEC Way and the NEC 2030VISION. Since this five-year plan was set to take place over such a period of change, it was developed based on the idea that this plan should not be an extension of what we were already doing, and should instead be focused on investments that would transform the Company, as well as ensure that these investments were made responsibly until they began showing results.

To that end, we looked thoroughly into a resource plan that would better integrate our business and financial strategies and allow us to meet our expectations for business after five years’ time.

Purpose-driven Management, as we have defined it, involves working on strategy and culture as one. The plan’s strategy is aimed at achieving growth by translating NEC’s technological strengths into value for customers, and accelerating business expansion globally and transforming business domestically. Our strategies and Purpose are realized by people. This means we need a strong culture that supports highly motivated human resources. Bearing this relationship in mind, we have positioned strategy and culture as one.

NEC’s Growth Model
NEC’s strengths lie in its R&D and its high-quality implementation capabilities, which it has used to support social and network infrastructure up to the present day. In order to convert these strengths into value for customers, we intend to develop technologies such as biometrics and AI into a shared platform, supplemented externally through M&As when necessary. We will then use these as a means to expand business, securing high profits and creating cash flow both globally and in Japan. Specifically, we will focus on digital government and digital finance as well as global 5G worldwide, including Japan.

We are also working to transform our IT business in Japan. To do this, we will take advantage of two aspects of our business. The first of these is one of our strengths, the integration of our business from upstream consulting to downstream implementation, and the second is our shared platform, which features superior technology. Using these to their fullest, we will drive...
Message from the President

NEC’s Past, Present, and Future

Business Strategy: Achieve Growth by Converting Our Strengths into Value for Customers

1. Digital Government / Digital Finance

Three companies central to this strategy are NEC Software Solutions UK (formerly Northgate Public Services Services UK Limited), KMD Holdings ApS (KMD), and Avaloq Group AG (Avaloq), which were acquired during the previous mid-term management plan. Over the course of the Mid-term Management Plan 2023, we will generate synergies between these three European companies and NEC. Our goal is to grow business by expanding synergies, not only in terms of sales, costs, and asset utilization but also in areas where we can integrate government and finance.

A common question that follows one of our acquisitions is when will we integrate it into the Group. I believe that if we take a uniform approach toward integration, the strengths of the company could be lost. Instead, we make the best possible use of its strengths and culture, we respect its positive aspects while working to align its vectors with ours, and we create sound and sustainable synergies.

In Japan, we will promote government digitalization. Since government systems operate for long periods of time and need to be reliable, this task requires a company that can fulfill all of its social responsibilities, which includes having the necessary technology, track record and financial standing for the job. We are proud of our track record of contributions made through mission-critical social infrastructure and the protection we have given Japan in the handling of sensitive data, without any problems of note. I would also like for us to make major contributions to the digitalization of the Japanese government.

As we pursue this goal, I believe that we can make great use of the extensive know-how and experience of NEC Software Solutions UK and the Denmark-based KMD, both of which have been central to the digitalization of governments of advanced European nations. Other strengths in our favor include our technical excellence when it comes to biometrics and other forms of personal authentication, as well as our credibility, which we have built through many years of doing business with local and central governments. During this digitalization process, it is important to possess comprehensive strength, which includes experience and resources, in order to facilitate a smooth system migration, and this is yet another instance where NEC’s strength can be put to work as well.

2. Global 5G

Looking at global 5G, we will use our domestic commercial performance as the basis for gaining a share of the global market. With the introduction of a variety of rules and standardization regarding the opening of base station specifications, coupled with better hardware performance, Open RAN is entering a stage where it can be applied globally. What will be helpful for us in terms of developing products for the global market is the fact that we are engaged in domestic business related to 5G with global-oriented companies such as NTT Corporation and Rakuten Mobile, Inc.

In the global market, mobile operators welcome an increase in suppliers out of a strong desire and asset utilization but also in areas where we can integrate government and finance.

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3. Core DX

Core DX employs four strategies aimed at achieving business growth. One involves expanding value provision by adopting a consistent approach, from consulting, which includes activities conducted by Alleeam Consulting Ltd., to delivery. The second involves enhancing our IT common platform technology and offerings. The third would have us strengthen competitive-ness through global strategic collaboration with AWS (Amazon) and Azure (Microsoft). And the fourth strategy achieves business growth through flagship projects for the national and local governments as well as for “super cities.”

There is increasing demand among customers for comprehensive solutions that cover consultation to delivery. In anticipation of this situation, we acquired Alleeam Consulting, which is best-in-class in Japan in terms of the number of consultants and scale of sales. In addition, NEC has launched its own strategic consulting unit in order to strengthen its approach to strategic partners. When we talk of “seizing the future together,” we have to demonstrate how society should change when a technology goes into effect, how we should keep and utilize data, and what systems will be necessary in response. We also need to communicate both the good and bad aspects of these matters. More than ever, we will be proactive toward presenting our vision for the future, offering up ideas for what we should do and change, delivered from the perspective of the end user.

NEC is also taking steps to transform itself into a platform for DX experimentation. This has two major benefits. One is that our own DX will increase our competitiveness as a company. The other is that, by using ourselves as a platform to substantiate cutting-edge DX, we can become a strong-use case for customers. To promote these potential benefits, we established a Transformation Office under my direct supervision and will carry out a corporate transformation, which includes business processes, aimed at completion in three years’ time. With these efforts, NEC will become a world-class global company at the forefront of DX, both in name and practice.

What is more difficult than creating IT systems themselves is transforming business processes and maintaining a data registry. This is due to the fact that the business processes that the systems are based on, and by extension, the workstyle and approach for each process as well as the data, for which entry methods vary for each system, need to be arranged neatly. This will take time, but we will take steady steps forward to accomplish this goal.

Over the past year and a half, we have neared completion of our blueprint for transformation and have begun rolling it out into the field.

4. Creation of Future Growth Businesses

As part of the Mid-term Management Plan 2025, we will work to create future growth businesses, which will be necessary in response. We will also optimize our existing IT business as a whole by making the best use of our assets. By working to improve low profit businesses, we will be able to achieve higher profitability than our competitors.

Although our current focus is on base stations, we intend to expand our business into the area of software and services going forward. The shift that took place in the computer market 20 years ago, from being controlled through software with proprietary specifications to open software, is taking place in the world of networks, which suggests that communications equipment and software will become more integrated in the future. Looking at this trend, we anticipate that, in addition to base stations, the market for software and virtualization technology aimed at efficient network operation will develop and expand as well. In light of this, we will leverage our products, including those from Netcracker Technology Corp., which excels in operations support system (OSS) and business support system (BSS) software, to expand business in the Japanese and global markets.

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We can refer to specific examples in the healthcare and life science businesses and in businesses related to carbon neutrality. The target we have set for NEC’s healthcare and life science businesses is a business value of ¥500 billion by fiscal 2031, with efforts that include AI-based drug discovery and endoscopic image analysis as well as life support solutions that utilize visualization of health conditions. For businesses related to carbon neutrality, our goal is to contribute to a decarbonized society through more efficient and optimal energy management, made possible by developing products for decarbonization management solutions and by commercializing circular economies.

When evaluating these businesses, we will use internal rate of return (IRR) as an indicator to assess the return on our investments and will also determine the pros and cons of individual investments. At the same time, we will continue to manage our investments while bearing in mind the scale of risk for a new business area. One cannot evaluate a new business with the same indicators that measure a stable, already established business. For new areas, we will set both qualitative and quantitative indicators and keep watch over their progress while using these areas to improve NEC’s business value.

**Financial Strategy: Maximizing Long-Term Profit and Optimizing Short-Term Profit**

Our financial strategy involves continuously generating cash, both as a source for sustainable growth and as a means to improve corporate value further. To these ends, we will shift from conventional profit and loss (P&L) management to management that emphasizes capital efficiency and conduct capital allocation focused on business growth.

For our financial measurement methodologies, we balance business growth in response to market expectations with maintenance and improvement of financial soundness. For non-financial measurement methodologies, we promote management that supports sustainability through efforts made under the Mid-term Management Plan 2025. To guide these efforts, we have set KPIs and formulated materiality from the perspective of ESG, with “E” representing the environment; “S” which stands for society but also represents security, AI and human rights, and diversity; and “G” representing corporate governance, supply chain sustainability, and compliance. Our goal is to remain a part of ESG indices used for ESG investment, and to do so, we are building up non-financial initiatives rooted in materiality and providing highly transparent information disclosure. Inclusion in ESG indices is not only a testament to the trust society and the capital markets have in a company, it also fosters pride and motivation in employees.

**Human Resources and Culture**

To create social value in the coming times, we need highly capable human resources and the ability to attract such human resources. I believe that the key to having both is a corporate culture that allows people to play an active role. Providing an open organization and environment that allows people to see outside their circle as they work is an important part of acquiring human resources. Thanks to the various measures implemented under the previous mid-term management plan, the employee engagement score at NEC has increased dramatically. Currently, we are making solid efforts to enhance the level of internal communication. I believe it is important to bridge the gap between management and employees by providing opportunities for both sides to meet face to face and engage in two-way communication. As part of this effort, we are holding online town hall meetings, and this year we have already held 12 such meetings, not only for employees in Japan but employees overseas as well. I believe that establishing a flatter and more open organizational environment is an important part of making the organization stronger.