

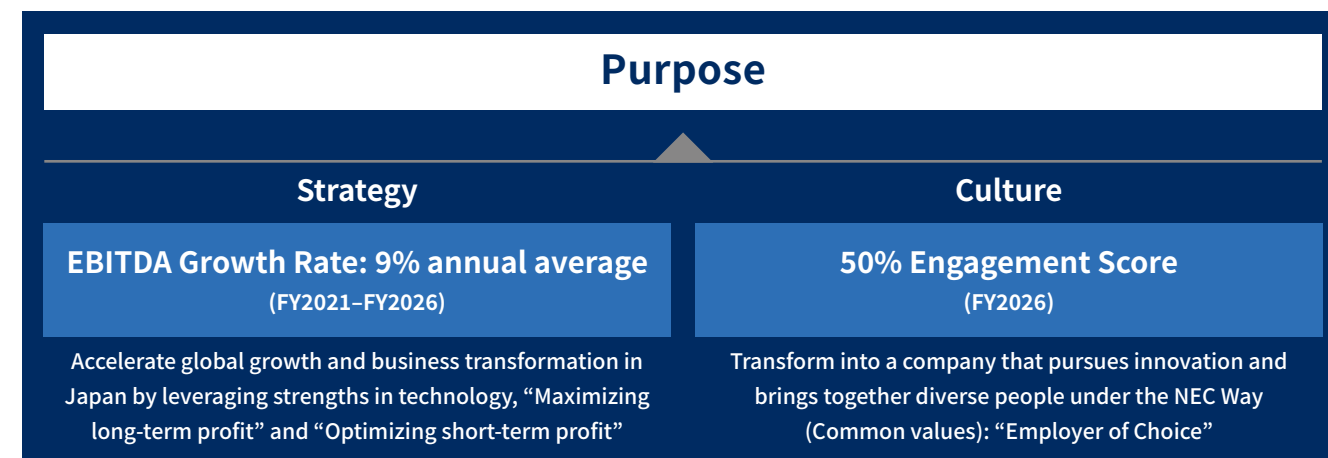
Mid-term Management Plan 2025

Achievement of NEC's "Purpose"—A Combination of Strategy and Culture

The NEC Group has formulated the Mid-term Management Plan 2025, which concludes in fiscal 2026, with the aim of realizing the NEC 2030VISION and NEC's "Purpose" set within the NEC Way. This Purpose calls for a combination of strategy and culture, and therefore the Mid-term Management Plan 2025 promotes Purpose-driven Management with indicators set for strategy- and culture-based targets.

Strategy: We will achieve growth through acceleration of global growth and transformation of domestic businesses by providing customer value through NEC technology. In financial terms, our financial strategy is integrated with our business strategy, with the first priority being to maximize long-term profit, followed by optimizing short-term profit.

Culture: We believe that our cultural strength is the strength of people to implement our strategies and realize our Purpose. We aim to transform ourselves into a company that pursues innovation and brings together diverse people under the NEC Way—the NEC Group's common set of values that form the basis for how the Group conducts itself.



Mid-term Management Targets

(Billions of yen)	FY2021 Results	FY2022 Results	FY2026 Targets
Revenue	2,994.0	3,014.1	3,500.0
(Growth rate from FY2021)	—	0.7%	3.2%
Adjusted operating profit	178.2	171.0	300.0
(Percentage of revenue)	6.0%	5.7%	8.6%
Adjusted net profit	165.4	167.2	185.0
(Percentage of revenue)	5.5%	5.5%	5.3%
EBITDA* ¹	295.8	304.0	450.0
(Percentage of revenue)	9.9%	10.1%	12.9%
ROIC* ²	4.7%	3.9%	6.5%

*1 EBITDA = Gross profit - SG&A expenses + Depreciation/Amortization

*2 ROIC = (Unadjusted operating income - Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets [including minority interest])

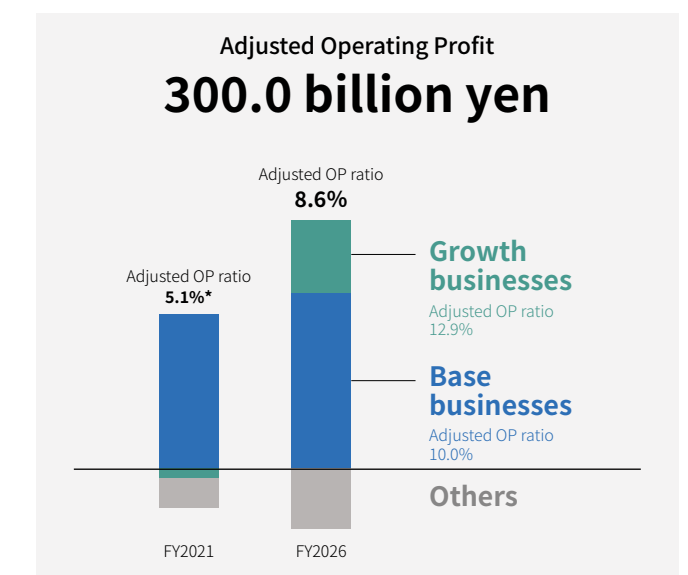
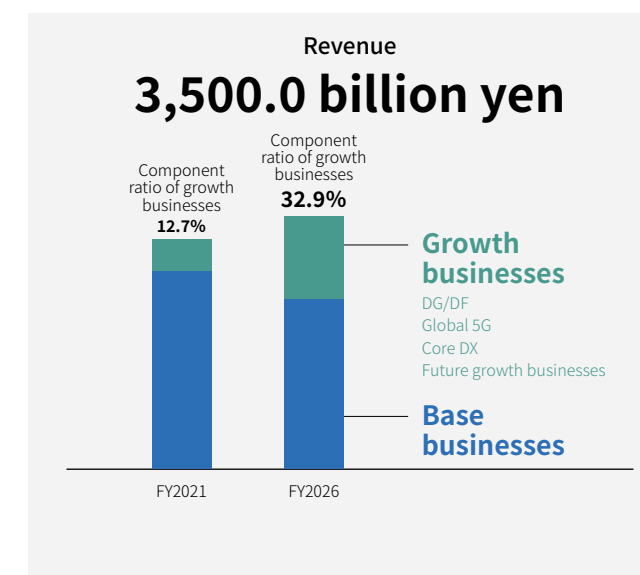
Achieve Earnings Growth through Both Growth Businesses and Base Businesses

Growth businesses are classified as Digital Government/Digital Finance, global 5G, core DX, and future growth businesses, whereas base businesses are all other businesses.

In growth businesses, the NEC Group will prioritize the allocation of resources in order to acquire and strengthen its competitive advantage, with the aim of driving growth in revenue and profits.

In base businesses, given the cautious business environment, the focus will be on improving profitability and aiming to steadily increase profits.

Strategy	Business Strategy	Digital Government / Digital Finance	• Transform into a top-class vertical SaaS vendor in the global DG/DF market	P22
		Global 5G business	• Aim for 20% market share in the Open RAN market in 2030, including expansion in the Japanese market from primarily a base station hardware provider to a full software and hardware solutions provider	P24
Financial Strategy	Core DX business	Future growth businesses	• Expand our value proposition through a comprehensive approach encompassing consulting to delivery	P26
			• Implement price strategy and improve gross profit through common ICT platform technologies and offerings	
			• Strengthen competitiveness through hybrid IT (Cloud/DC/On-Premises) alliances and in-house optimization	
Culture	Base businesses	Maximizing long-term profit and Optimizing short-term profit	• Create growth businesses that will realize the NEC 2030VISION with strong technologies and inbound innovation	P28
			• Maintain profitability above our competitors for our high- and medium-profit base businesses	P29
Culture	Transformation of culture and how we work	Use continuously generated cash flow to fund sustainable growth and enhance corporate value through optimal capital allocation and by building robust financial and non-financial measurement methodologies	• Improve profitability by establishing a monitoring system for low-profit businesses	P30
			• Transform our people and culture	P31
			• Establish business infrastructure	
			• Create a shared vision for a brighter future	



* Excluding "one-time profit/loss" in the statement of profit or loss

Digital Government and Digital Finance Business

Digital governments (and digital municipalities) make full use of IT in all areas of administration to increase convenience and reduce the burden on citizens and companies. They achieve this by simplifying and streamlining administrative processes. Digitalization promotes collaboration and integration between various industries, but collaboration between government and financial institutions is expected to lead the way in this regard. In several European countries, digital IDs are already being used for authentication, identity verification, and as a link between government and financial institutions for assessing eligibility for various services. There are also new innovations emerging based around digital tokens, a form of independently issued digital currency. For example, verification trials in the U.K. are underway for the use of blockchain technology to conduct transactions and manage registration in real estate. The market for digital finance is also expected to grow over the long term as the use of digital technology becomes more widespread and a growing group of users utilize this technology to receive advanced asset management advice and conduct asset transactions.

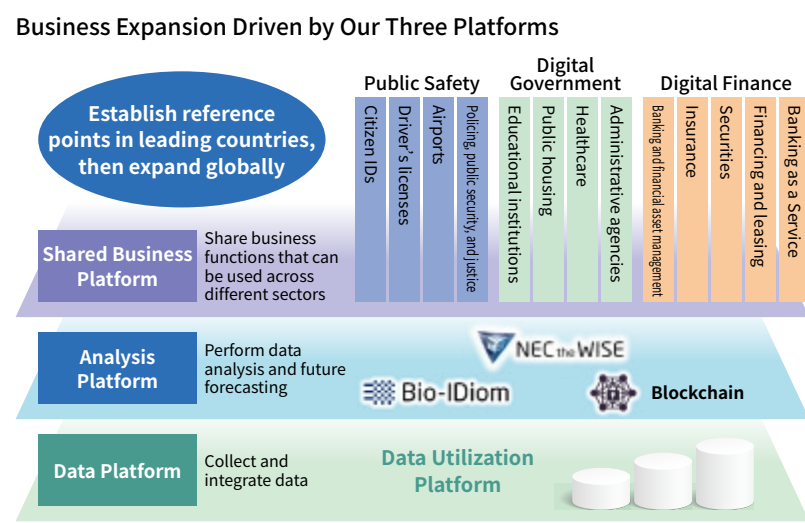
NEC's Digital Government and Digital Finance Business

Government systems operate for long periods of time and need to be reliable, and this task is not possible without a company that can fulfill its social responsibilities. NEC has a long track record of contributions to mission-critical social infrastructure, and has offered protection to Japan in the handling of sensitive data without any major issues. On the global front, we have developed a business that draws upon the strength of our biometrics to provide solutions related to public safety. In addition, the acquisition of NEC Software Solutions UK—hereinafter SWS (formerly Northgate Public Services [UK] Limited)—and KMD Holding A/S (KMD) has enabled us to conduct business that involves converting their know-how into software for customers in the public sector, which also includes functions related to public safety. We have also acquired Swiss company Avaloq Group AG (Avaloq) in order to enter the digital finance field, with the expectation that this entry will generate synergies with digital government. We are working to expand and develop business by taking advantage of the global embrace of DX. In addition, we are making a shift toward a software as a service (SaaS)-based business model.

Our Three Acquisitions

<p>NEC Software Solutions UK (SWS) (formerly Northgate Public Services) SWS is an IT services company based in the United Kingdom. The company features a strong customer base and a shared business platform that can be used for a variety of sectors, including policing, tax collection, social security benefits, and public housing management.</p>	<p>KMD Holding A/S (KMD) KMD is Denmark's largest IT company with a strong customer base, wide-ranging platforms, solutions for both financial and insurance sectors, and a proven track record in user experience and analytics, all of which it has leveraged to support digitalization of the government.</p>	<p>Avaloq The growth of Swiss company Avaloq is partially driven by recurring business from provision of software via a SaaS-based business model. The company holds the top market share in wealth management software in Europe and ranks second in Asia Pacific.</p>
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NEC has referenced its connections in leading countries that have embraced digitalization to expand its software platforms globally. This expansion hinges on three software platforms rooted in common business, analysis, and data. In addition to these efforts, NEC possesses superior technology utilized in products related to analytics (NEC the WISE), biometrics (Bio-IDiom), and the blockchain, and works to enhance these products. Even further, it has built up trust over the course of many years spent supporting businesses run by local government and central agencies, plus a wealth of experience and resources related to the stable migration of systems, an important process for digitalization. Put together, this comprehensive set of capabilities is NEC's true strength today.



Business Opportunities

- Increased demand to reduce administrative work, to improve convenience, and to simplify and streamline operations
- Collaboration and integration between a variety of industries, such as government and finance
- Growing group of users utilizing digital technology to receive advanced asset management advice and conduct asset transactions

NEC's Strengths

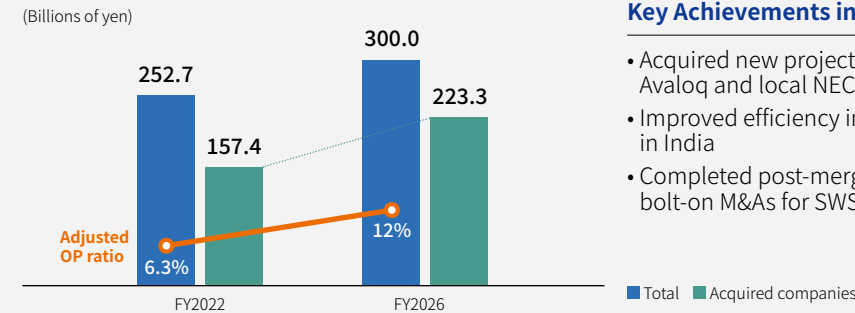
- Trust and a track record built up from many years of supporting businesses run by local government and central government agencies
- Superior technology and products related to biometrics, the blockchain, etc.
- Customer bases in countries with developed digital governments

Risks

- Expected synergies may fail to materialize, hindering profitability
- Market factors could lead to delays in establishing digital governments and finance

Business Conditions

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio



Key Achievements in Fiscal 2022

- Acquired new projects thanks to synergies created between Avaloq and local NEC subsidiaries in Asia
- Improved efficiency in development by utilizing offshore bases in India
- Completed post-merger integration for Avaloq and conducted bolt-on M&As for SWS

Business Opportunities and Key Measures for the Medium to Long Term

1. Accelerate global development

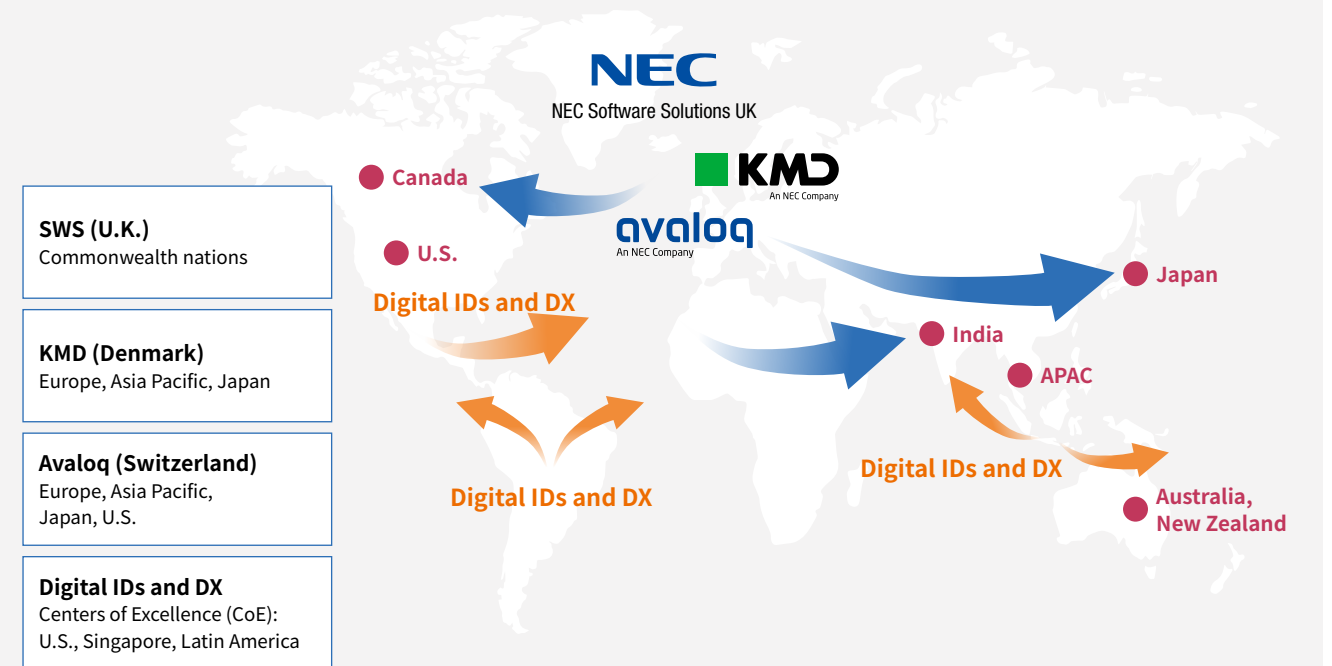
London-based SWS has already expanded into Commonwealth nations such as Australia and New Zealand, with the intention to strengthen its presence in these areas going forward. KMD is currently expanding in Europe and is also working with NEC to enter the Asia Pacific region and Japan. Avaloq, which is headquartered in Switzerland, is offering solutions to Japanese customers while also looking to expand into the United States. Regarding digital IDs and DX, we have highlighted the U.S., Singapore, and Latin America as Centers of Excellence in our effort to deploy NEC's solutions around the world.

2. Transform our business model

We believe it is important to continue investing in our key business areas while making SaaS business a larger proportion of NEC's business. We are planning to achieve a combined net sales of ¥169.5 billion in fiscal 2023 for SWS, KMD, and Avaloq. Software under the SaaS business model is expected to account for 77% of this result, but we intend to raise this ratio to 80% or higher by the end of fiscal 2026. At the same time, we will use bolt-on M&As to expand our business domains and customer base. We will also work to maximize our return on investment (ROI) by withdrawing from low-profit businesses and reorganizing our business portfolio.

3. Streamline development and operations

We are pursuing cost synergies and increasing the competitiveness of our software through the selection, concentration, and mutual utilization of assets. Outsourcing work offshore is particularly important when it comes to software development. SWS, KMD, and Avaloq have a combined workforce of approximately 9,000 employees, 3,800 of whom work in development, with 40% of the personnel located offshore or nearshore. We intend to increase the ratio to 55% over the period of the Mid-term Management Plan 2025, which will increase operating profit by between ¥5.0 billion to ¥6.0 billion over the course of the plan.



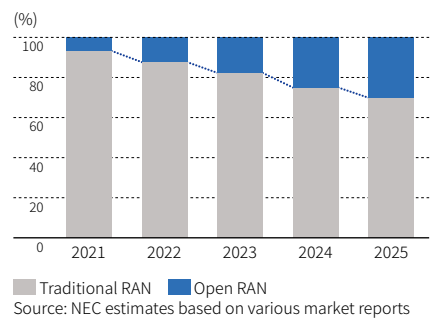
Global 5G Business

In recent years, network connections have gone beyond the scope of smartphones and computers to include a variety of sensors, smart meters, home appliances, automobiles, medical devices, and other items. This shift has increased the number of domains that utilize data to a considerable degree and has made it possible to perform analysis, detection, and operation in real time. The technological development of 5G has been promoted globally as a means to provide a wireless communication standard that can handle this boom in IoT business in a way that 4G cannot. Commercial 5G service has the potential to dramatically change both business and social environments. Telecom carriers will play an important role in making sure that 5G is a reliable form of infrastructure that can support society at its core.

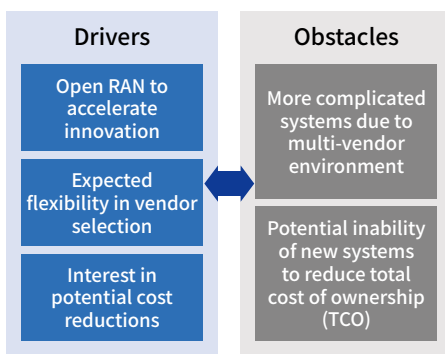
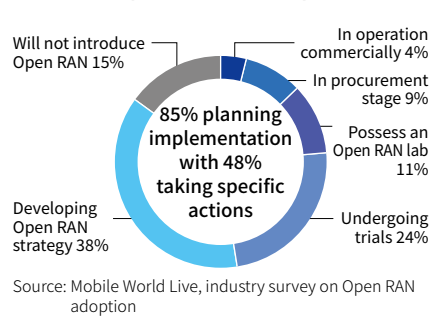
Traditionally, carriers have procured a complete set of telecommunications equipment from a single vendor. However, the establishment of various rules and standards related to base stations and their shift to open systems, coupled with improvements in hardware performance, have enabled global implementation of Open RAN, which makes it possible to procure equipment from multiple suppliers. Mobile operators have a strong desire to increase competitiveness and operate more efficiently by increasing the choice of telecommunications equipment, and therefore welcome the idea of more suppliers. At the same time, Open RAN comes with its own challenges. For instance, procuring telecommunications equipment from multiple suppliers could complicate systems, which raises the question of the real feasibility of cost reductions.

Globally, the overall RAN market is valued at roughly ¥3.5 trillion to ¥4.0 trillion. Over the period of 2022 to 2025, Open RAN is expected to grow within this market at an annual rate of 30% or higher, exceeding ¥1.0 trillion in 2025. With expectations on the rise, 85% of major telecom carriers have indicated their intention to adopt Open RAN in the future.

Trend in the Global Base Station Market



Status of Open RAN Development



NEC's Global 5G Business

Traditionally, NEC has focused on providing fixed-line and wireless telecommunications equipment for telecom carriers, operation support system (OSS) software for equipment management, business support system (BSS) software for customer support, and service platforms for end-users. We have captured the top position in Japan in the 5G market due to the wider range of solutions we offer compared to our competitors; our results, which show our ability to respond to customer needs; the robust nature of our products and solutions; and our track record of working with telecom carriers and industrial partners to create 5G use cases. Similarly, we are able to ensure that Open RAN 5G can function as a mission-critical solution that meets customer needs, and watch over the integration of Open RAN 5G into customer systems, a process that we consider to be our responsibility. This will make it possible to guarantee services under a multi-vendor system, as opposed to services dependent solely on NEC products. In terms of developing products for the global market, we have leveraged our track record in domestic business related to 5G with global-oriented companies such as NTT Corporation and Rakuten Mobile, Inc.

To address rapidly increasing communication traffic and expand business opportunities, we need to increase the operational efficiency of network equipment and both introduce and manage services with greater speed and efficiency. As a result, OSS and BSS have become increasingly important. Therefore, we are working with Netcracker Technology Corporation, which we acquired in 2008, utilizing its vast customer base and track record of implementing OSS and BSS to help leverage its products and others to conduct business in the global market.

Business Opportunities

- Commercialization of 5G services, with the potential to dramatically change both business and social environments
- Increased demand for Open RAN from mobile operators
- Increased demand for OSS and BSS

NEC's Strengths

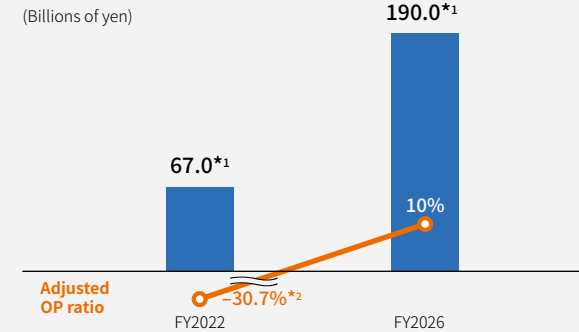
- Track record of providing a wide range of solutions, ranging from access to core and IT services
- No. 1 in Japan in terms of ability to respond to customers, reliability, and performance
- Ownership of Netcracker, which possesses a vast customer base and a track record of implementing OSS and BSS

Risks

- Market regulations and changes in the macro environment may delay the introduction of 5G services
- Efforts to introduce 5G in existing commercial projects may fail

Business Conditions

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio



Key Achievements in Fiscal 2022

- Shipped commercial Open RAN equipment, put equipment into use, and had our mobile core software selected as part of the full-scale launch of commercial 5G networks with domestic carriers
- Selected as a vendor by top European carriers based on evaluations of domestic performance
- Conducted 16 Open RAN trials, mainly in Europe, the U.S., and India, as well as other countries
- More than 30 business negotiations ongoing in Japan, Europe, the U.S., India, and other countries

*1 Above figures do not include NetCracker Technology Corporation.
*2 Excluding strategic expenses, operating profit ratio above segment (Network Services) level

Business Opportunities and Key Measures for the Medium to Long Term

1. Focus on customers that support Open RAN to expand market

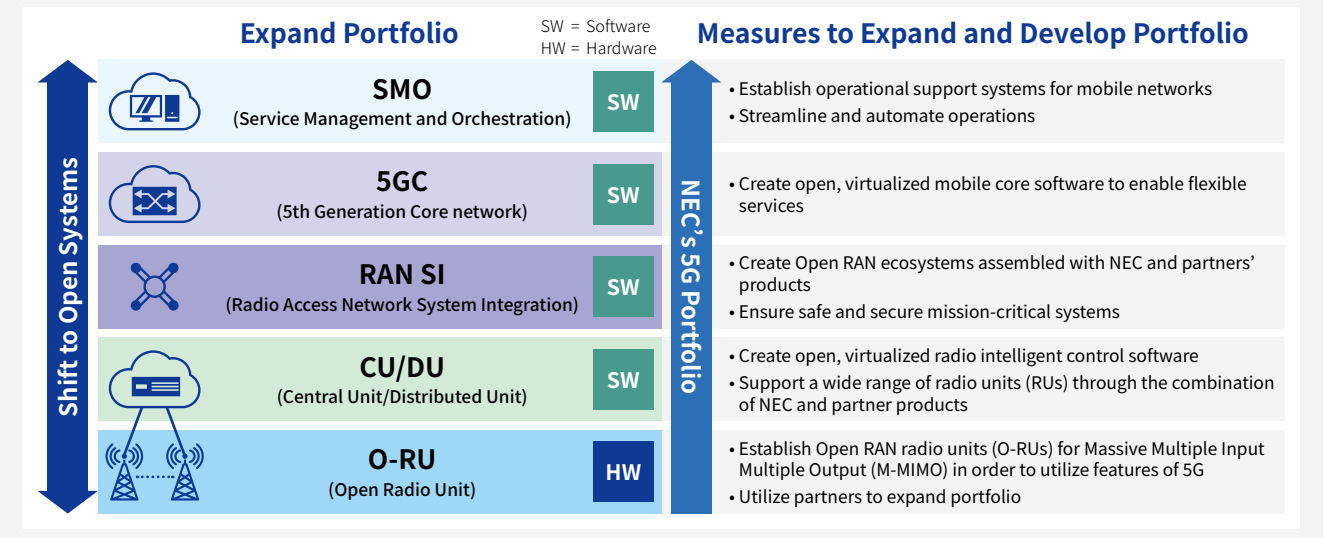
We intend to open the door to Open RAN projects and build a track record of results by strengthening our relationships with telecom carriers that are taking active steps to introduce Open RAN. Working together with customers and other vendors will help invigorate this market while helping us develop and expand the reach of our products. This will allow us to provide precise solutions that meet the expectations of our customers. We will also enhance our verification system and other relevant systems in global operation in order to ensure a rapid response to customers.

2. Expand 5G portfolio beyond hardware to include software and develop a recurring business model

We are expanding our 5G portfolio to include software in the areas of central and distributed units (CUs/DUs), 5th generation core networks (5GC), and service management and orchestration (SMO). We also consider it our responsibility to provide system integration (SI) services as part of our effort to offer an optimal solutions package. In addition, NEC's virtualization software technology will expand the domains where our general-purpose hardware can be utilized, which will make it possible to reduce costs while increasing trust with customers. These efforts will help achieve a shift toward a more software-focused business and higher profit margins.

3. Establish a global 5G business framework

In Japan, we are working to implement development and quality control for both infrastructure-related products that take full advantage of 5G's capabilities, and for advanced functions such as AI and machine learning that are set to become core technologies in the future. In addition, we are building a system for global development and production related to the Internet of Things (IoT) that can also be utilized by partners. This system is primarily being developed in India for the country's cost competitiveness and is aimed at IoT for use in production and ensuring connectivity. First, we will select and focus on customer bases in North America and Europe where Open RAN is being actively promoted, and expand from there. Establishing a system for promoting Open RAN early on and providing services to a large number of customers will help us secure a position as a key Open RAN vendor.



Core DX Business

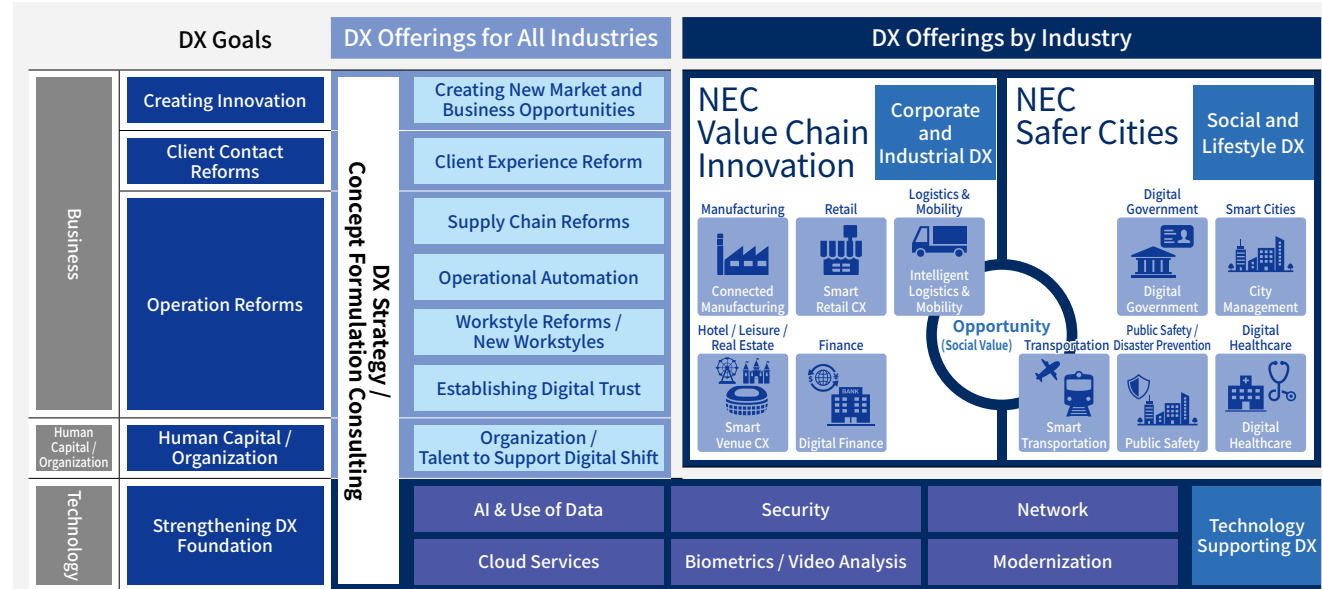
The conditions that affect society and companies change with each passing day, becoming increasingly complex and uncertain. This situation has made digital transformation (DX) increasingly important. DX is defined as “the process by which companies respond to rapid changes in business, using data and digital technology to transform their products, services, and business models based on the needs of customers and society, as well as to transform the business itself, the organization, processes, and corporate culture to establish a competitive advantage.” Recent years have seen DX permeate society and companies at an accelerated pace. This is due to changing business conditions, such as the rapid rise in collaboration between industries and active restructuring efforts across industries, as well as the evolution of technologies such as AI, IoT, and 5G networks. In addition, there is an increasing demand for end-to-end solutions that range from consulting to delivery. Framed in terms of seizing the future together, it is imperative that we present clearly what changes these technologies are supposed to elicit from society, how data is to be held and utilized, and how the systems we propose are crucial to this process. Moreover, we must include the negatives alongside the positives. Now, more than ever, we need to put forth an image of the future from the user’s perspective and outline what we need to do to make that image a reality.

NEC's Core DX Business

NEC's strengths lie in its efficient R&D and its high-quality implementation capabilities, which it has used to help develop social infrastructure and network platforms in Japan for many years. All of NEC's businesses are tied to DX in some way, so we naturally have a track record of providing DX solutions to customers in a wide range of industries. In addition, NEC utilizes itself as a testing ground to promote DX. This practice has a dual purpose. First, using our DX initiatives in-house increases competitiveness as a company, which means that, second, we become a powerful use case that we can show customers the efficacy of our cutting-edge offerings. In February 2021, NEC was named as a DX-certified operator by the Ministry of Economy, Trade and Industry, in recognition of its overall commitment to DX as shown in its vision, business strategy, and systems—making it the first company in the electronics industry to receive such certification. Now NEC is working to further enhance its human resources while increasing coordination with its powerful delivery capabilities.

These efforts include working with one of its Group companies, ABeam Consulting Ltd., one of the top consulting firms in Japan in terms of the number of consultants and sales, and establishing its own strategic consulting division.

Menu of DX Offerings



Business Opportunities

- Increased importance of DX
- Increased demand for end-to-end solutions that range from consulting to delivery

NEC's Strengths

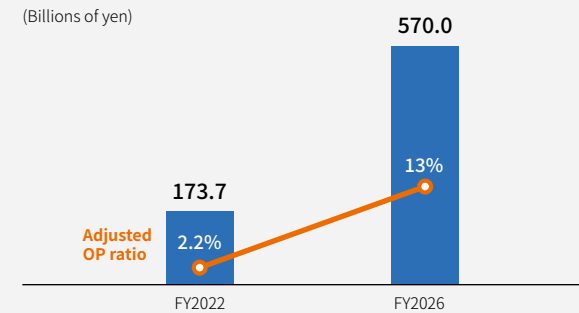
- Efficient R&D
- High-quality implementation capabilities and a strong track record
- Abundance of resources, including the human resources and foundation provided by ABeam Consulting and in-house strategic consulting division

Risks

- A shortage of DX personnel that could lead to sluggish earnings growth

Business Conditions

Mid-term Targets: Adjusted Operating Profit and Adjusted Operating Profit Ratio



Key Achievements in Fiscal 2022

- Leveraged collaborations with hyperscalers to gain a competitive edge in cloud-related business
- Launched a strategic partnership program in anticipation of acquiring large projects
- Acquired large projects through collaboration with ABeam Consulting

Business Opportunities and Key Measures for the Medium to Long Term

1. Provide value via a comprehensive approach encompassing consulting to delivery

This strategy relies on a combination of the upstream consulting strength of ABeam Consulting, which operates on a domestic scale of approximately 5,000 consultants, enhancing NEC's own consultants through its DX personnel development program and utilizing these people in tandem with NEC's robust delivery capabilities. These one-stop services will help us support DX for society and companies. Moreover, this strategy will allow us to provide support across the entire life cycle of a customer, beginning with strategic consulting for customers, and thereby widening the scope in which we can generate value.

For more details on the development of DX personnel, please refer to page 49.

2. Develop and establish common ICT platform technologies and standardized offerings

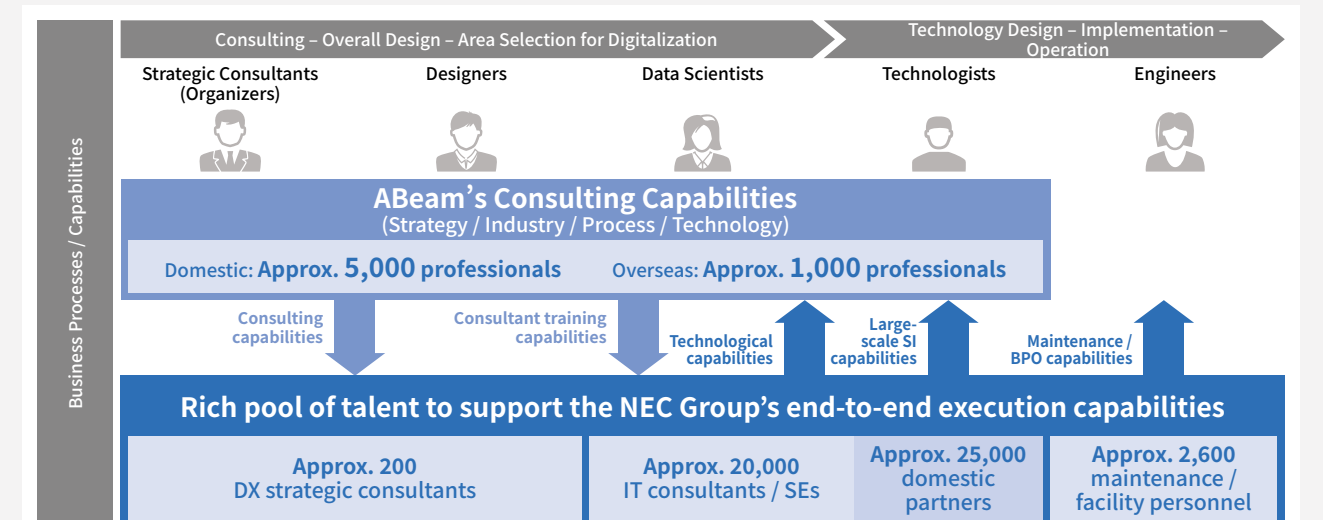
We will transition from solutions that were previously optimized individually by industry and customer toward a business that is optimized overall, driven by a common platform in the form of NEC's digital platform. This will enable us to provide value to our customers with a sense of speed. Our plan is to create a platform using NEC technology that will effectively facilitate DX for both companies and society with the idea that repeated usage will reduce costs. We also aim to improve price competitiveness by standardizing our solution offerings and setting prices based on value provided.

3. Increase competitiveness through hybrid IT

We intend to increase competitiveness by creating a hybrid IT environment through an optimal combination of cloud, data center, and on-site functions. This IT environment will be optimized to meet individual needs through the combination of NEC's own high-security multi-cloud and global strategic collaborations with AWS (Amazon) and Azure (Microsoft).

4. Lead the shift in society with DX

We will coordinate with government policy and utilize NEC's technologies, such as biometrics and AI, as well as our end-to-end implementation to support projects that will transform society. These projects involve the steady promotion of DX in domestic governments spurred on by the creation of the Japanese government's Digital Agency, construction of super cities, and infrastructure-coordinated mobility.



Creation of Future Growth Businesses

Looking to the future, the Mid-term Management Plan 2025 also calls for the creation of future growth businesses, in addition to digital governments, digital finance, 5G, and core DX. NEC's disruptive technology stands to upend the mainstream technologies of the current day. It is the basis of our efforts to create new businesses, and we will work with forward-looking customers in Japan and overseas and research institutions in Japan and abroad to commercialize the technology, applying the business development know-how we have cultivated in recent years. Our target business areas align with the layers of the NEC 2030VISION: environment, society, and life.

We plan to create growth businesses that will help realize the NEC 2030VISION, using our highly capable technology, overseas business models abroad, industry know-how, and collaborations with research institutions and venture capitalists as starting points.

Accelerating commercialization by integrating R&D and business development

Disruptive technologies

- Unique technologies that could disrupt current business models (privacy-preserving data analytics)
- Defense technologies (quantum cryptography, laser communication, etc.)

Inbound innovation

- Overseas business models and industry-specific know-how
- Collaboration with advanced customers, research institutions, and venture capitalists

New business development know-how

- dotData, AI-based drug discovery, and other new business development achievements
- Business development methods*1 utilizing internal and external capital

*1 Carve-out, M&A, spin-in/spin-out, crowdfunding

Specific examples of initiatives: 1) Healthcare and life-related businesses; FY2031 NEC healthcare business value (forecast): ¥500.0 billion*2

Deliver healthcare tailored to people's health conditions

- AI-based analysis of endoscopic images; sales launch in Japan and Europe
- Electronic medical records and ordering system

Leverage electronic medical records and ordering system

- Monitoring and provision of advice based on gait conditions from insoles equipped with gait analysis
- Visualization of health conditions and disease risks from minimal blood protein

Support personalized healthcare with science

- Start of clinical trials on personalized neoantigen vaccines in 2019
- Design of vaccines against the novel coronavirus

Living Life to the Fullest

- Overcome diseases
- Prevent illness
- Lack of want
- Mental and physical wellness

Healthcare industry: 33.0 trillion yen*3

*2 Calculated using both the comparable company method and the DCF method based on a target for 2030 (sales revenue of ¥100.0 billion)

*3 Source: Future Direction of the Next Generation Healthcare Industry Council (published by the Ministry of Economy, Trade and Industry, 2018). Market size is an estimate of the Japanese market in 2025.

NEC's Recent Efforts in the AI Drug Discovery Business

April 2022	<ul style="list-style-type: none"> • CEPI*4 partners with Japan's NEC Group to develop artificial intelligence-designed broadly protective betacoronavirus vaccine. 📄 For more information on AI drug development, please refer to page 45. *4 Coalition for Epidemic Preparedness Innovations
	<ul style="list-style-type: none"> • NEC and Shionogi & Co., Ltd. enter into strategic research collaboration for novel hepatitis B therapeutic vaccine. https://www.nec.com/en/press/202204/global_20220418_01.html
November 2021	<ul style="list-style-type: none"> • NEC and Transgene announce positive preliminary data from Phase I studies of a novel individualized cancer vaccine, jointly developed using NEC's AI-driven neoantigen prediction system. https://www.nec.com/en/press/202111/global_20211123_01.html

Specific examples of initiatives: 2) Businesses related to carbon neutrality

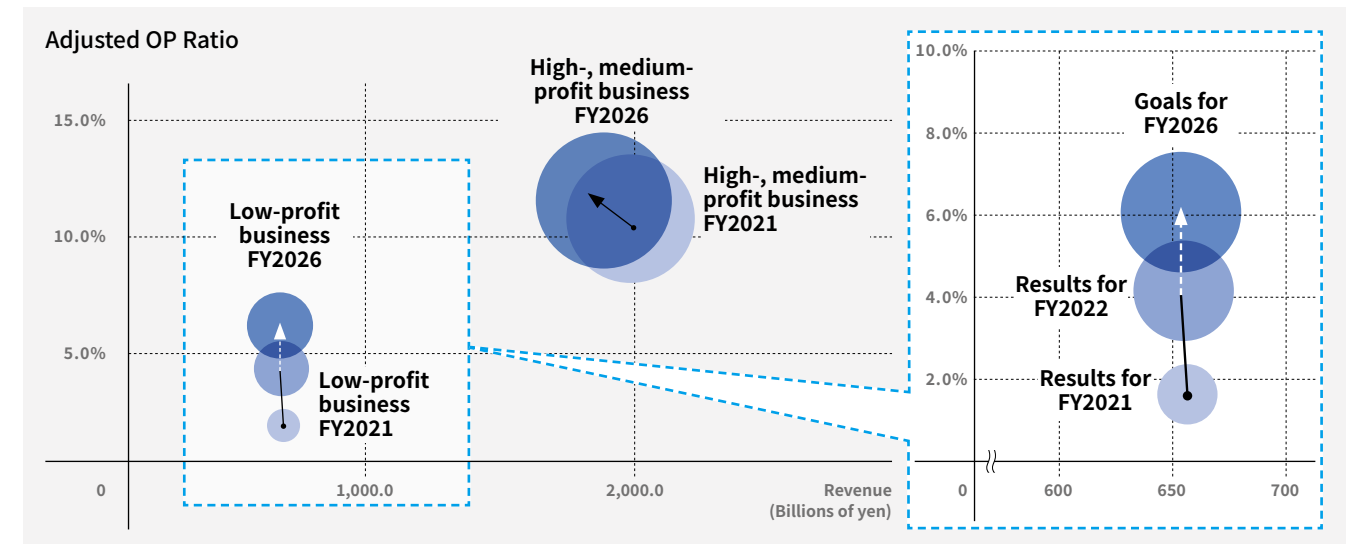
📄 For more information on our businesses related to carbon neutrality, please refer to "2. Increase Contributions through Businesses" on page 57.

Base Businesses

To improve the profitability of our base businesses, we have set a hurdle rate for operating profit ratio and divided the businesses into categories. We are using this rate to conduct a Group analysis, after which we will clarify policies in response to the analysis and formulate individual plans accordingly.

For medium- and high-profit businesses, we will select benchmark companies and strive to overtake them in terms of operating profit ratio. As for low-profit businesses, we have formulated individual turnaround plans aimed at improving profitability. We are monitoring progress of these plans, taking resources from businesses that do not achieve their objectives, allocating them to key areas, and taking appropriate action in cases where recovering profitability is deemed unlikely. In fiscal 2022, we began this monitoring under the leadership of the CFO, and our adjusted operating profit ratio has since increased 2.6%. In fiscal 2023, we plan to ramp up these activities and optimize our business structure with actions that include downsizing some businesses and shifting resources, and we expect that our adjusted operating profit ratio will increase by more than 1% compared with fiscal 2022 as a result.

With these measures, we expect to reap the benefits of our improvement plan, complete the review of our business portfolio, and raise profitability up to our target level by fiscal 2026.



Low-profit Business Monitoring System

Strategy formulation

Implementation, evaluation

Reaping of benefits from our results

FY2021 2H

- Setting of hurdle rate
- Formulation of turnaround plan

- Implementation of investments to carry out plans
- Review of business portfolio
- Exit/Resource allocation from underperforming business to key segments

End of FY2026

- Achievement of target levels

Achievements in FY2022

- Improved adjusted operating profit ratio as a result of thorough monitoring led by CFO
- Transferred shares of NEC Energy Solutions

Initiatives in FY2023

- Ramp up efforts to optimize business structure, including downsizing some businesses and shifting resources

Financial Strategy

Enhancing Cash Generation Capabilities by Building Robust Financial and Non-financial Measurement Methodologies

We will continue to bolster our ability to create cash through growth strategies and management foundation reforms in pursuit of a business structure conducive to generating adjusted operating profit of ¥300.0 billion by fiscal 2026.

Please refer to the CFO Message on page 36 for more details on our financial strategy.

Augment growth strategies

Shift from P/L management to management that also emphasizes capital efficiency

- Achieve investment returns beyond market expectations (capital cost)
- Continue activities to improve capital efficiency, such as CCC compression and reduction of cross-shareholdings

Capital allocation focusing on business growth

Respond to changing business environments without missing out on opportunities

Building of robust financial and non-financial measurement methodologies aimed at sustainable growth

- Maintain investment capability to respond to global competitors
- Reinforce non-financial measurement methodologies to underpin sustainable growth of the Company and society

Reinforcing Non-financial Measurement Methodologies to Underpin Sustainable Growth

Under the Mid-term Management Plan 2025, we are working to enhance our non-financial initiatives and to promote highly transparent disclosure of information centered on “materiality”—priority management themes from an ESG perspective. This will ensure we remain in ESG indices used for ESG investment. In fiscal 2022, NEC continued to be listed in global ESG indices such as the Dow Jones Sustainability Indices, the FTSE4Good Index Series, and the MSCI ESG Leaders Indexes.

To view a list of ESG indices that include NEC, please refer to page 83.

“Materiality” in the Mid-term Management Plan 2025 (from fiscal 2022)

Key Themes (Materiality)	Main Initiatives	FY2026 KPIs	Results for Fiscal 2022
E Climate change (Decarbonization)	1. Acceleration of environmental management toward achievement of SBT**1 1.5°C by 2030 2. Contribution to CO ₂ reduction through customer DX	1. 33.6% reduction**2 (compared with FY2018)	1. 31.1% reduction**2 (compared with FY2018)
S Security AI & human rights Diverse human resources	1. Development of human resources in advanced security to handle social infrastructure 2. AI provision and utilization prioritizing respect for human rights	1. Doubling of internationally certified personnel 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles	1. Approx. 200 CISSP**4 certification holders (30% increase compared with FY2021) 2. Incorporated initiatives based on the NEC Group AI and Human Rights Principles
G Corporate governance Supply chain sustainability Compliance	1. Further improvement of transparency of corporate governance 2. Strengthening of collaboration with suppliers from a human rights/environmental perspective 3. Eradication of serious compliance incidents	2. Suppliers agreeing to procurement guidelines: 75%**3 3. No. of serious incidents: 0	2. Suppliers agreeing to procurement guidelines: 80%**3 3. No. of serious incidents: 0

*1 Science Based Targets **2 Scope 1, 2 **3 Ratio based on procurement amount *4 Certified Information Systems Security Professional

As part of an effort to confirm the impact of non-financial initiatives on financial performance, we employed “Digital ESG Data Analytics,” an ESG management support system provided by ABeam Consulting Ltd., to conduct an analysis examining the correlation between Price-to-Book Ratio (P/B) and non-financial indicators. In fiscal 2022, we analyzed 273 non-financial indicators that the NEC Group is working on from their fifth year of implementation to their tenth year and looked for correlations with the P/B. Based on our analysis, 25 indicators correlated with an increase in the P/B. For example, a 1% increase in the number of female department heads or higher, our indicator of diversity, would result in a 3.3% increase in the P/B after seven years. Continuing this analysis into the future will help us to identify non-financial initiatives that will lead to greater corporate value, to properly allocate investment toward these initiatives, and to review materiality as appropriate.

For more details, please refer to “Analysis of the Relationship between Non-financial Indicators and Financial Indicators” on page 14 of *Sustainability Report 2022*.

Transformation of Culture and How We Work

We will aim to become a company that pursues innovation and brings together diverse human resources under the NEC Way as well as a company that is the preferred choice of employees.

To realize an engagement score of 50%, we will transform people and culture, establish a business infrastructure, and create a shared vision toward realizing a brighter future with customers.

Engagement Score FY2026 Target

50%*
(FY2022 35%)

* Based on the Kincentric Survey of a 50% score, which is a Tier 1 level result and in the global top 25 percentile

1. Transformation of People and Culture

We will proceed with the transformation of people and culture by emphasizing our key initiatives of accelerating diversity, which serves as a source of innovation, and advancing workstyle reforms in order to provide a better workplace for a diverse array of individuals.

For more details, please refer to page 46.

2. Establishment of Business Infrastructure

Contrary to our previous structure through which various initiatives were carried out by our respective departments, our new Transformation Office has been established under the direct control of the CEO. The Transformation Office will be tasked with managing business process reforms, financial system reforms, and the Group-wide IT system, while serving as the nucleus for our promotion of reforms in the three domains of business processes, systems, and IT systems.

In regard to our IT systems, we will proceed with cloud transformation of the NEC Group's core system, the redesigning of business processes and systems in unison with IT, and the revamping of our data-driven management.

3. Creation of a Shared Vision for a Brighter Future with Customers

As a market leader, we believe that it is our responsibility to create a shared vision for a brighter future with customers by actively communicating our future vision to customers and society as a whole. By doing so, we will look to create new value.

To achieve NEC's Purpose, we must harness the power of digital technology and work with our multitude of stakeholders to seize the future together. This will make the NEC 2030VISION, the embodiment of our Purpose, a reality for the future. To this end, we are ramping up our Thought Leadership activities in order to boost our ability to offer solutions to society.

In April 2022, we invited Ms. Kumi Fujisawa, who has been active in an external think tank, to serve as chairperson of the Institute for International Socio-Economic Studies (IISE), a think tank run by NEC. In July of the same year, we also brought astronaut Mr. Soichi Noguchi on board as an executive chief fellow. (https://www.i-ise.com/en/about/about_top.html)

We will use this think tank and other means to conceive and communicate an idea for a future that captures the imagination of society. In doing so, we will attract a group of like-minded people who will form a market around this idea, and then, through co-creation, verification trials, and ultimately business creation, we will begin implementing this idea in society.

Initiatives under the Current Mid-term Management Plan

- Cloud transition of Companywide mission-critical systems (HR, procurement, etc.)
- Integrated redesign of processes, systems, and IT
- Enhancement of data-driven management (AI utilization, data structure optimization)

Full-scale Launch of Thought Leadership Activities

- Refine our future vision based on social/market insights
- Disseminate social system innovations
- Strengthen general research capability and collaborate with other thought leaders

Communicating social system reform

Hitoshi Imaoka
NEC Fellow

Eiki Momotani
NEC Managing Executive

Combining humanities and science to enhance AI ethics

Enacted April 2019

- Legal and social acceptance
- Research in AI security technology
- Liveness/fraudulent image detection
- Privacy protection learning
- Universal learning

Enhanced functions for highly effective proposals beyond industry borders

- Newly established Thought Leadership Department
- IISE Chairperson Kumi Fujisawa invites Soichi Noguchi to serve as executive chief fellow

Kumi Fujisawa **Soichi Noguchi**

Open co-creation and standardization

- Rulemaking Strengthen global collaboration by utilizing data
- Promote global co-creation with universities