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.

Purpose

- **Strategy**
  - EBITDA Growth Rate: 9% annual average (FY2021–FY2026)
  - 50% Engagement Score (FY2026)

- **Culture**
  - Transform into a company that pursues innovation and brings together diverse people under the NEC Way (Common values): “Employer of Choice”

Mid-term Management Targets

<table>
<thead>
<tr>
<th>Component</th>
<th>FY2021 Results</th>
<th>FY2022 Results</th>
<th>FY2025 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,994.0</td>
<td>3,014.1</td>
<td>3,500.0</td>
</tr>
<tr>
<td>(Growth rate from FY2021)</td>
<td>—</td>
<td>0.7%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>178.2</td>
<td>171.0</td>
<td>300.0</td>
</tr>
<tr>
<td>(Percentage of revenue)</td>
<td>6.0%</td>
<td>5.7%</td>
<td>8.6%</td>
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<tr>
<td>Adjusted net profit</td>
<td>165.4</td>
<td>167.2</td>
<td>185.0</td>
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<tr>
<td>(Percentage of revenue)</td>
<td>5.5%</td>
<td>5.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>EBITDA*1</td>
<td>295.8</td>
<td>304.0</td>
<td>450.0</td>
</tr>
<tr>
<td>(Percentage of revenue)</td>
<td>9.9%</td>
<td>10.1%</td>
<td>12.9%</td>
</tr>
<tr>
<td>ROIC*2</td>
<td>4.7%</td>
<td>3.9%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

* EBITDA = Gross profit – SGA expenses + Depreciation/Amortization
* ROIC = Adjusted operating income / Average total assets

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 growing profit in growth and profits.

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

### Purpose

#### Transform into a company that pursues innovation and brings together diverse people under the NEC Way (Common values): “Employer of Choice”

#### Strategy

- **Digital Government / Digital Finance**
  - Transform into a top-class vertical SaaS vendor in the global DG/DF market

- **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

- **Core DX business**
  - Expand our value proposition through a comprehensive approach encompassing consulting to delivery
  - 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
  - Create new business opportunities (social, enterprise transformation). Expand the DX domain by leveraging the implementation capabilities of technology/policy linkage/end to end

- **Future growth businesses**
  - Create growth businesses that will realize the NEC 2030VISION with strong technologies and abound innovation

- **Base businesses**
  - Maintain profitability above our competitors for our high- and medium-profit base businesses
  - Improve profitability by establishing a monitoring system for low-profit businesses

#### Financial Strategy

- **Maximizing long-term profit and Optimizing short-term profit**
  - 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

- **Component**
  - Component ratio of growth businesses 12.7%
  - Component ratio of base businesses 32.9%

#### Culture

- **Transformation of culture and how we work**
  - Transform our people and culture
  - Establish business infrastructure
  - Create a shared vision for a brighter future

### Revenue

- **3,500.0 billion yen**

### Adjusted Operating Profit

- **300.0 billion yen**

* 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 presence of DX. In addition, we are making a shift toward a software as a service (SaaS)-based business model.

Our Three Acquisitions

**NEC Software Solutions UK (SWS)** (formerly Northgate Public Services)

SWS is an IT services company based in the United Kingdom. The company has a strong customer base and a shared business platform that can be used for cybersecurity and cloud services, including security, cloud management, and public housing management.

**KMD Holding A/S (KMD)**

KMD is Denmark’s largest IT company with a strong customer base, with more than 1,000 employees located offshore or nearshore. The company holds the top market share in wealth management software in the world. KMD has a proven track record in user experience and analytics, all of which it has leveraged to support digitalization of the government.

**Avaloq**

Avaloq is a Swiss company with a strong presence in the financial and insurance sectors, and a proven track record in the public sector. In Switzerland, Avaloq is headquartered in Bern and has acquired companies in the U.S., Singapore, and Latin America. The company offers solutions for at least 70% of global banks around the world.

Business Expansion Driven by Our Three Platforms

KMD’s role in the expansion hinges on three software platforms rooted in common software platforms globally. This expansion hinges on three software platforms rooted in common software platforms globally. This expansion hinges on three software platforms rooted in common software platforms globally.

**Digital Finance**

Perform data analysis and future forecasting

**Bic-IDiom**

Enhance financial asset management

**Blockchain**

Conduct transactions and manage registration in real estate

**Public Safety**

Provision of public safety services

**NEC’s Business Model**

**Business Opportunities and Key Measures for the Medium to Long Term**

1. **Accelerate global development**

   - London-based SWS has already expanded to 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 continuously invest in our key business areas while making SaaS a larger proportion of NEC’s business. We are planning to achieve a combined net sales of ¥495.5 billion in fiscal 2023 for SWS, KMD, and Avaloq. Under the Saas business model, we expect to account for 77% of net sales in fiscal 2023. At the same time, we will use bolt-on M&As to expand our business domains and customer base. We also work to maximize our return on investment (ROI) by withdrawing from low-profit business 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. Offshoring work is particularly important when it comes to software development. SWS, KMD, and Avaloq have a combined workforce of approximately 1,000 employees, 80% 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 ¥50 billion to ¥60 billion over the course of the plan.

**Business Conditions**

Mid-term Targets: Adjusted Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Operating Profit (Billions of yen)</th>
<th>Adjusted OP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>252.7</td>
<td>15.4%</td>
</tr>
<tr>
<td>2025</td>
<td>300.0</td>
<td>12.2%</td>
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</table>

**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

**Digital IDs and DX**

- **Commonwealth nations:** KMD (Denmark) in Europe, Avaloq (Switzerland) in Asia Pacific, and Avaloq (U.K.) in the U.S.
- **Asia Pacific:** SWS (Canada), Avaloq (Japan), KMD (U.S. and Japan).
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 global 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.

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 us to improve Open RAN and expand the reach of our products. This will allow us to provide 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), 5G generation core networks (5GC), and service management and orchestration (SMO). We also consider it to be important 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 strong sales of our 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) which can also be utilized by partners. This system is 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.

### NEC’s 5G Business Model

**Business Opportunities**
- **Commercial adoption 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
- A 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 results by 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.

**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**

**Global 5G Business**

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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 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 efficacy of our cutting-edge offerings.

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. 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.

Menu of DX Offerings

<table>
<thead>
<tr>
<th>DX Goals</th>
<th>DX Offerings for All Industries</th>
<th>DX Offerings by Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating Innovation</td>
<td>NEC Value Chain Innovation</td>
<td>NEC Safer Cities</td>
</tr>
<tr>
<td>Client Contact Reforms</td>
<td>Social and Lifestyle DX</td>
<td>Social and Lifestyle DX</td>
</tr>
<tr>
<td>Concept Formulation Consulting</td>
<td>Digitalization Technology Design</td>
<td>Digitalization Technology Design</td>
</tr>
<tr>
<td>Operation Reforms</td>
<td>Implementation</td>
<td>Digitalization Technology Design</td>
</tr>
<tr>
<td>Human Capital Organization</td>
<td>Consulting</td>
<td>Digitalization Technology Design</td>
</tr>
<tr>
<td>Strengthening DX Foundation</td>
<td>AI &amp; Use of Data</td>
<td>Social and Lifestyle DX</td>
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<tr>
<td></td>
<td>Cloud Services</td>
<td>Social and Lifestyle DX</td>
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<tr>
<td></td>
<td>Security</td>
<td>Social and Lifestyle DX</td>
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<tr>
<td></td>
<td>Network</td>
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<tr>
<td></td>
<td>Modernization</td>
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</tr>
<tr>
<td></td>
<td>Technology Supporting DX</td>
<td>Social and Lifestyle DX</td>
</tr>
</tbody>
</table>

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.

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-premise 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 govern- ment spurred on by the creation of the Japanese government’s Digital Agency, construction of super cities, and infrastructure-coordinated mobility.

Business Conditions

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

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<thead>
<tr>
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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

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

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Rich pool of talent to support the NEC Group’s end-to-end execution capabilities

- Approx. 200 DX strategic consultants
- Approx. 20,000 IT consultants / SEs
- Approx. 25,000 domestic partners
- Approx. 2,600 maintenance / facility personnel

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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.

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

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

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.

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.

NEC's Recent Efforts in the AI Drug Discovery Business

April 2022 • CDP*2 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.
*2 Coalition for Epidemic Preparedness Innovations

November 2021 • NEC and Takeda announce positive preliminary data from Phase I studies of a novel individualized cancer vaccine, jointly developed using NEC's AI-driven neoantigen prediction system.

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

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

Capital allocation focusing on business 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)

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<th>Key Themes (Materiality)</th>
<th>Main Initiatives</th>
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<td>3.1% reduction*2 (compared with FY2019)</td>
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<td></td>
<td></td>
<td>2. Contribution to CO2 reduction through customer DX</td>
<td>3.1% reduction*2 (compared with FY2019)</td>
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<td>S</td>
<td>AI and human rights Diverse human resources</td>
<td>1. Development of human resources in advanced security to handle social infrastructure</td>
<td>1. Approx. 200 CSSIP*3 certification holders (30% increase compared with FY2021)</td>
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<tr>
<td>G</td>
<td>Corporate governance Supply chain sustainability Compliance</td>
<td>1. Further improvement of transparency of corporate governance</td>
<td>2. Suppliers agreeing to procurement guidelines: 78%*4</td>
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<td>3. Eradication of serious compliance incidents</td>
<td>3. No. of serious incidents: 0</td>
</tr>
</tbody>
</table>

*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 Alteam 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 231 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. 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. 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.

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.

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 workflow 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 union 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.iise.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.

Key Themes (Materiality) Main Initiatives FY2026 KPIs Results for Fiscal 2022

| E | Climate change (Decarbonization) | 1. Acceleration of environmental management toward achievement of 53%*1 by 2030 | 3.1% reduction*2 (compared with FY2019) |
|   | 2. Contribution to CO2 reduction through customer DX | 3.1% reduction*2 (compared with FY2019) |
| S | AI and human rights Diverse human resources | 1. Development of human resources in advanced security to handle social infrastructure | 1. Approx. 200 CSSIP*3 certification holders (30% increase compared with FY2021) |
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| G | Corporate governance Supply chain sustainability Compliance | 1. Further improvement of transparency of corporate governance | 2. Suppliers agreeing to procurement guidelines: 78%*4 |
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*1 Science Based Targets  *2 Scope 1, 2  *3 Ratio based on procurement amount  *4 Certified Information Systems Security Professional

50% (FY2022 35%)