Message from the President

Let’s maximize NEC’s power to be ever-changing and create value for society by delivering on our promises

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Aiming to Be an Indispensable Presence in the World

NEC has been transforming society for more than 120 years with the innovative and superior technologies it has amassed during this time. NEC’s Purpose, which is to create the social value of safety, security, fairness and efficiency to ensure a more sustainable world where everyone has the chance to reach their full potential, serves as the basis for all of the Company’s corporate activities. With a view to achieving this Purpose, I would like to translate NEC’s strengths, which help form the foundation of Japan’s infrastructure, along with its technologies and track record in supporting mission-critical systems, into new social value to ensure that NEC becomes indispensable throughout the world.

The NEC 2030VISION, which is based on our Purpose, concretely outlines NEC’s vision of a logically achievable society of the future. We aim to realize the NEC 2030VISION by leveraging our strengths and using the society envisioned across its three layers of Environment, Society, and Life as a compass to guide us forward.

Making Steady Progress Toward Achieving the Goals Set Forth in the Mid-term Management Plan 2025

I was appointed president and CEO of NEC in 2021. In the same year, we formulated the Mid-term Management Plan 2025, which clearly outlined how far we would progress over the following five years in our efforts to realize the NEC 2030VISION. Naturally, achieving the goals set forth in the Mid-term Management Plan 2025 and living up to the trust of all of our stakeholders is a commitment that I must fulfill as the person entrusted with the management of NEC.

Starting in fiscal 2024, NEC reorganized its business segments into IT Services and Social Infrastructure with the objective of building the optimal organizational structure for achieving the goals of the Mid-term Management Plan 2025. We also thought that the disclosure of information that makes it possible to track our progress was necessary. Shareholders and investors had also raised concerns that NEC’s organization was difficult to fully understand, so these measures also address feedback from the capital markets.

Two years have passed since we announced the Mid-term Management Plan 2025. Regarding global 5G business, although there have been developments in the business environment such as delays in international 5G markets getting off the ground, I believe that the Company as a whole is making solid progress from a financial standpoint at this midway juncture of the plan, with the domestic IT services business performing well by steadily capturing strong demand which exceeded our initial expectations. In terms of laying the foundation for achieving the Mid-term Management Plan 2025, we have been diligently working on establishing a global business structure and centralizing digital transformation (DX) products and services since I became CEO, and these efforts are also progressing as planned. We have also made progress in monetizing our intellectual property over the past few years, which has included the development of a global patent portfolio.

In June 2023, NEC transitioned to a Company with a Nominating Committee, etc., structure with the aim of increasing the speed of management decision-making and strengthening corporate governance. After engaging in spirited discussions with the management team for more than a year, we are convinced that this is the best possible organizational structure that can be conceived at this point in time.

We have made steady progress over the past two years. In the Olympics, there is an event called the triple jump, which is made up of three phases, a hop, a step, and a jump. Using this as an analogy for illustrating our progress, we have completed “the hop and the step,” and I am growing increasingly confident in the current direction of the Mid-term Management Plan 2025 as I engage in dialogue with our stakeholders. Fiscal 2024 to 2026 will be our “jump” stage, where we will focus on achieving solid results.

For more details on the NEC 2030VISION, please follow the link below.
IT Services Business

In Japan, there is strong demand for so-called DX investments, such as IT-based corporate management reforms and the digitalization of government services. It is important that we approach such customer initiatives as a partner that can provide end-to-end support, from analysis and discovery of customer issues to systems implementation and operation. To this end, we are working with ABeam Consulting Ltd., an NEC Group company that boasts some of the best consulting resources in Japan, to further strengthen our approach. We have also sharpened our competitive edge by forming global alliances with companies including Microsoft, AWS, Oracle, SAP, and ServiceNow. By using the Company as a testing ground, or “client zero,” so to speak, NEC has been able to show use cases for implementing cutting-edge technologies and develop proposals that have greater persuasive power.

In addition, a range of NEC’s technological strengths and know-how, including digital IDs centered on facial recognition and data-driven cybersecurity services, will be consolidated into a common platform called NEC Digital Platform (NDP) to further expedite the deployment of such services to customers.

Internationally, we are promoting the Digital Government/Digital Finance (DGDF) business. NEC’s DGDF business is centered on three European companies we have acquired (NEC Software Solutions UK, KMD Holding A/S, and Avaloq Group AG), which are software as a service (SaaS)-based business models. Although there are concerns about the deterioration of business confidence in Europe, we believe that any impact on our business will be relatively minor given that the business of these three companies is aimed primarily at governments, municipalities, and financial institutions. We are working to create synergies through both cross-selling and the sharing of offshore resources, from which we hope to see results that will contribute to realizing the goals of the Mid-term Management Plan 2025. In June 2023, Avaloq formed a strategic business partnership with BlackRock, Inc., a U.S.-based investment management company, to provide integrated solutions for wealth managers and private banks by combining the strengths of both companies. By strengthening our market competitiveness in these ways and approaching a broad range of customers, I believe we can expand the DGDF business.

Social Infrastructure Business

The Social Infrastructure business operates in an area in which market growth is expected from the standpoint of economic security and the growing concern for security driven by geopolitical factors. In addition, the areas of telecommunication, aerospace, and national security are expected to see greater integration of technologies in the future to coincide with the rising concern for security.

For example, in the area of national security, initiatives have been launched in outer space, and the Japanese government has begun studies on the concept of satellite constellations that utilize optical communications. NEC will provide solutions for national security that help to ensure safety and security by maximizing and bringing together the strengths of NEC’s existing initiatives in optical communications technology, wireless technology, and defense encryption and security technology. In the global 5G business, one of our companies, including partnerships, without regard to ownership, to more quickly link technology to the creation of social value. Rather than commercializing a business through the efforts of NEC alone, we

Increasing NEC’s Corporate Value with an Eye to 2030

To create greater social value with a view to realizing the NEC 2030VISION, NEC is also working on generating new growth businesses that stem from solutions to social issues.

The AI drug development business, one of NEC’s healthcare and life science-related businesses, is working on drug discovery, including personalized cancer immunotherapy, using a wide range of IT technologies, including AI, to meet the growing demand for personalized medicine that provides optimal medical care tailored to individual needs. In the field of agriculture, NEC has established a joint venture with Kagome Co., Ltd. and is working to realize sustainable agriculture that uses AI to produce greater crop yields with less fertilizer and irrigation. In addition, NEC has been developing carbon-neutral solutions for many years, and we hope to firmly establish disaster prevention and mitigation solutions as well as environmental solutions such as the visualization of CO2 emissions as our future pillars of growth.

In the development of these new businesses, we will seek potential in various forms of capital, including partnerships, without regard to ownership, to more quickly link technology to the creation of social value. Rather than commercializing a business through the efforts of NEC alone, we
believe that open innovation will increase the establishment of innovative businesses by transcending the boundaries of conventional thinking and rising to the challenge of creating new businesses through novel combinations of diverse knowledge.

The relationship between AI and society has strengthened with the evolution of technology, which has in turn broadened the areas in which NEC can provide value to society. For example, many companies and universities are considering using generative AI.

**People Are the Key to Realizing Our Strategies**

When innovating to create social value, increasing people’s execution capabilities and promoting inclusion and diversity (I&D) are two essential elements.

Around 2000, NEC’s business performance declined due to changes in the business environment and other factors, and the Company’s ability to execute its strategies weakened as a result of a lack of defined business strategies and a decline in employees’ trust in the Company. Therefore, we worked on reforming our execution capabilities in order to secure our future. The first step in our initiative to reform our execution capabilities was to transform NEC’s corporate culture to one where all employees could think independently and constantly try out new operational reforms that involve the use of generative AI such as ChatGPT, which is attracting a great deal of attention. NEC has also begun offering NEC Generative AI Service, a generative AI that can be tailored to the needs of individual customers, to help Japanese companies rise to the challenge of creating new corporate value in response to changes in the industrial landscape. By linking NEC’s knowledge with that of its customer partners, we will create new value together using generative AI.

As we work to achieve our target engagement score, we are involved in ongoing efforts to increase employee satisfaction with the Company’s strategy and direction through dialogue with more than 10,000 employees at monthly town hall meetings. In addition, the Company has introduced a remuneration system that compensates employees according to their market value, as well as NEC Growth Careers, an internal job posting system that supports employees in finding positions that will lead to their ideal careers by enabling them to fully utilize their experience and skills. We are taking various measures, such as enabling employees to design their own workstyles on an individual or team basis and achieving growth within the Company, by developing systems and mechanisms that allow employees to choose a workstyle that suits each individual so that they can approach their work with enthusiasm.
The Ability to Initiate Change and the Willingness to Keep Changing Are Necessary for Ensuring a Company’s Future

The 10 Principles of Management, compiled by Dr. Koji Kobayashi, who advocated NEC’s C&C (Computers and Communications) vision and led the Company’s “second founding,” contains the phrase “remember that stable companies are unstable and that unstable companies are stable.” I interpret this to mean that if a company stops changing and seeks stability in an ever-changing world, the company will be left behind and fall into decline. The ability to initiate change and the willingness to keep changing are necessary to ensure a company’s future. There are both risks and opportunities inherent in making such changes and transformations. For NEC to continue to be a company that is indispensable to the world, I believe it is crucial that we thoroughly implement the NEC Way, which is a common set of values that form the basis of how we conduct ourselves.

As we put the NEC Way into practice, I think it is important to be conscious of maintaining our integrity and creating a virtuous cycle of profit and innovation. Integrity carries the meaning of honesty and sincerity and is not just about complying or following rules. It is about sincerely doing the right thing for society, business partners, peers, and ourselves. We believe it is extremely important to create social value as an honest company through the actions of every one of our employees. The just reward for such sincere and proper actions is profit, which is then used as a resource to create new innovation and greater value. This cycle is how we will realize our Purpose.

The life span of a company is generally said to be around 30 years. I believe that the reason NEC still exists today, despite having faced numerous crises, is not only because of its technological strength, but also because of the strength of its people. And I believe that this strength is NEC’s power to be ever-changing. Since assuming the position of president and CEO, I have come to feel even more strongly that my most important role is to maximize the power to drive ongoing change. In order to fulfill this role, I am firmly committed to being an example of integrity that guides us toward greater value.