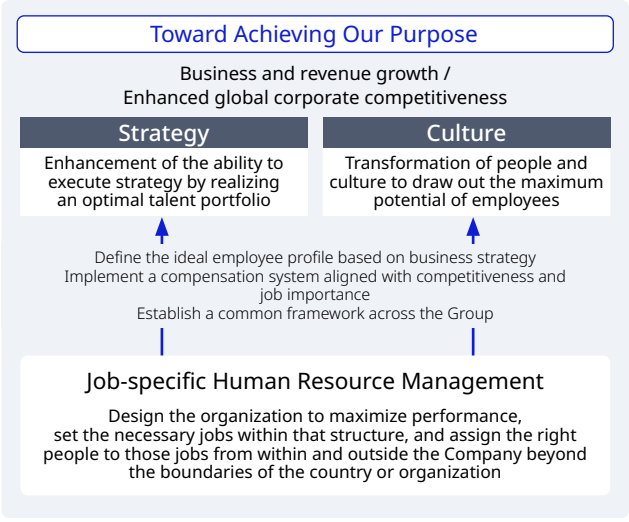
Human Capital Management

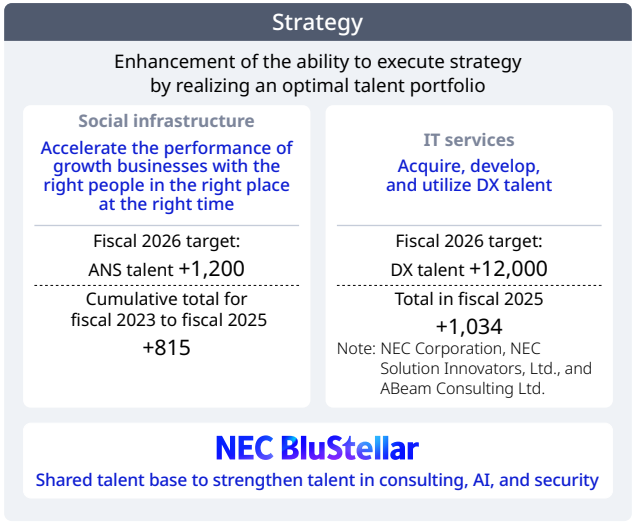
Strengthening NEC's Global Competitiveness Through Human Capital Management

NEC views human capital as one of its most important management resources. As such, the Company is promoting strategic investment and organizational transformations to draw out the maximum value from its human capital. To realize our Purpose and achieve the goals set forth in Mid-term Management Plan 2025, we are promoting initiatives that integrate strategy and culture, and are engaged in ongoing efforts to transform our organizational structure so that it can continuously create value and generate profits.

In terms of strategy, we are working to expand our pool of DX talent with the aim of strengthening the DX business, which provided support for customers in their DX efforts. At the same time, we are promoting efforts to boost the collective strength of the NEC Group by increasing the mobility of human resources throughout the organization. To flexibly respond to change, create greater social value, and beat out global competitors, it is important to put the right people in the right place at the right time. Starting from our business strategy, we are building an agile and responsive organization that can adapt swiftly to change. We design roles accordingly and appoint the most suitable talent from both within and outside the Company. For example, in the expanding aerospace and national security (ANS) domain, we are dynamically reallocating personnel in line with business strategy, pursuing an increase of 1,200 employees.

In terms of culture, we are making steady progress toward the target employee engagement score of 50% set forth in Mid-term Management Plan 2025, but there is still significant work to be done. At NEC, engagement is measured through three key elements: Say, Stay, and Strive. While the score for Stay, which reflects a strong desire to stay with the organization, is high, we face challenges in improving Say, which refers to speaking positively about the organization to others, and Strive, which reflects the motivation to put in more effort than is required. To improve these two indicators, we are focusing resources on initiatives that have been identified as having a strong correlation with their enhancement. Through this targeted approach, we aim to build an organization with even higher levels of engagement.

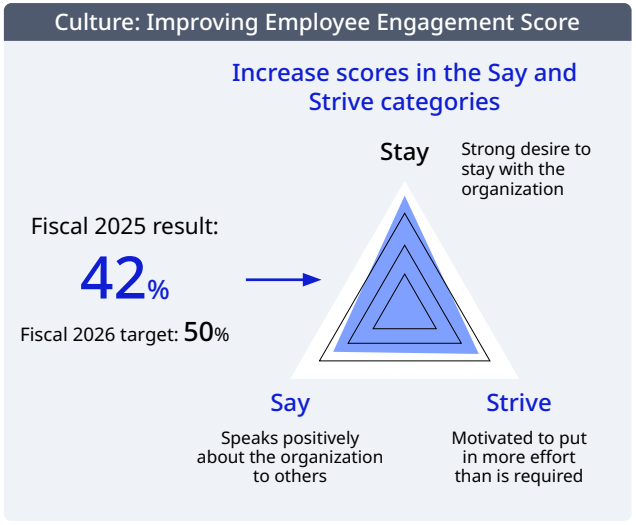




Job-specific Talent Management Underpinning Strategy and Culture

Starting with the reform of its personnel system in 2018, NEC has been gradually laying the foundation for effective job-specific management guided by its Human Resources Policy, "NEC, for those who seek challenge," formulated in 2019. After meticulous preparations for its implementation, we began applying job-specific human resource management to all NEC employees in April 2024. From fiscal 2026, the system will be expanded to cover approximately 49,000 employees, including those at a number of domestic Group companies, and we will work to put the right people in the right place at the right time.

NEC is now at the starting line to creating greater value than ever before. The important thing is to never slow the pace of change. As NEC continues to evolve, we will strive to enhance corporate value through human capital management.



Concrete Initiatives Related to Strategy and Culture

For NEC to both grow sustainably and contribute to society, it needs human resources who can flexibly respond to changes in society and the environment, learn independently, and have the ability to continue to change. In today's world, where advanced technologies such as AI and cybersecurity that underpin DX continue to evolve rapidly, NEC must secure and develop talent with advanced expertise, diverse backgrounds, and innovative thinking in order to establish a competitive advantage and meet the expectations of society. Here, we introduce three specific initiatives.

1. Ensure strategies take root and encourage employees to take the initiative by leveraging both top-down and bottom-up approaches

To increase the number of human resources who can view the Company's strategies as their own concern and act autonomously, we are increasing opportunities for communication and dialogue with executives and division heads. In addition, to strengthen management at the division level, we have developed a "playbook," which serves as a Company-wide template for formulating and promoting strategies. With its introduction, division heads have begun to talk about the strategies they have executed in terms of narratives. Meanwhile, as a bottom-up initiative, we are increasing opportunities for employees to learn and take on challenges independently, such as reform activities on the front lines.

2. Appoint and promote employees regardless of attributes such as age, and encourage self-directed career development

With the shift to job-specific human resource management, we are creating an environment in which capable and motivated personnel can perform to the best of their abilities and be promoted to positions where they can play an active role, regardless of attributes such as age, length of service, gender, or nationality. For example, there are cases in which young employees are selected for promotion to managerial positions in their 20s, while some are promoted in their 50s. Also, to promote gender-inclusive human resource practices, we have set an increase in the ratio of women in all management positions as one of the KPIs of Mid-term Management Plan 2025.

Youngest person promoted to management

Fiscal 2025: **27** years old
(5th year since joining as a new graduate)

Note: The youngest person promoted to management in fiscal 2024 was 31 years old.

Proportion of new managers who are 34 years old or younger

Fiscal 2025: **9**%

Note: 6% (Fiscal 2024)

Male to female ratio of newly appointed managers

Male: **69**% Female: **31**%

Note: Male 72%, Female 28% (Fiscal 2024)

3. Market-competitive compensation

Sharing NEC's core values with all employees and fostering a strong awareness of management-linked indicators such as business performance and stock price are essential to enhancing our corporate value over the medium to long term. To this end, NEC has introduced NEC Value Shares, a new stock compensation system that grants Company shares in addition to regular salary. Starting in fiscal 2026, we plan to introduce stock-based compensation to approximately 400 employees, mainly in strategic positions such as general managers, and from fiscal 2027, we plan to provide stock compensation to more than 6,000 employees, including Group companies, who are expected to make significant contributions over the medium to long term. In addition, NEC plans to expand the existing shareholding association system for approximately 60,000 members of the NEC Group and start an initiative to grant additional shares of the Company free of charge, in addition to the incentives previously granted to members.

For details on NEC's human capital management, please visit the website below.
https://www.nec.com/en/global/ir/pdf/library/250317/250317_01.pdf

Saki Nagaki
Director, AI Business Strategy Department

Column Strategies to Build Excitement for a Society in Which People and AI Coexist

I am in charge of formulating strategies for NEC's AI business. Our mission is to help our customers transform their businesses in order to realize a society of AI natives in which AI and people coexist. In the world of AI, which is changing rapidly every day, it is important to look ahead to market trends and technological evolutions. That said, after discussions with many members of the Company, including those engaged in sales, product development, and delivery, I believe that the most important thing is to be able to be proud of the strategies that we are all part of at NEC and have a sense of excitement.

Tactics are constantly evolving in the world of AI, and the speed of change can be worrying. Even at such times, I believe that the biggest challenge in my management approach is to create an organizational culture in which employees can take a positive view of changes and create value through their own work with a sense of excitement.