

Social Infrastructure

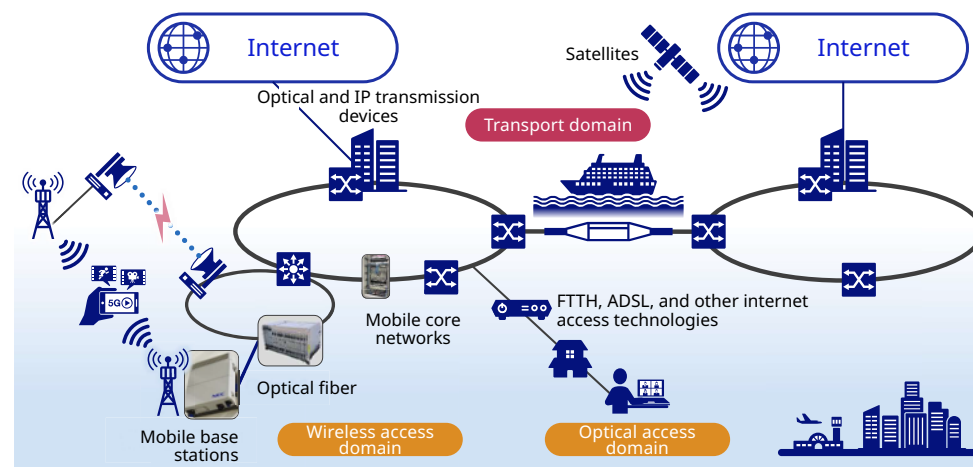
Telecom Services

Business Overview

In the telecom services businesses, NEC is developing network services that link together a rich array of people, things, and ideas, centered on its network technologies, which represent the Company's roots. We provide network equipment, infrastructure systems for operations management, and operational services primarily to telecommunications carriers, supporting the networks that are the core of the digital society. While telecom operators are working to improve the efficiency of network infrastructure investments, demand for IT investment remains strong, driven by the need to enhance communication quality and strengthen new businesses. In response, NEC is focusing its efforts on this area.

Strengths

- Assets and know-how based on track record of building and operating mission-critical systems
- Wide range of technologies and proposal capabilities (Fixed and mobile networks, software for OSS/BSS)



Business Strategy

Software Shift

The telecommunications industry is seeing a shift from dedicated hardware to software running on general-purpose servers. NEC is developing software for virtualized base stations and advancing its commercialization. In addition, NEC has developed a solution that modernizes all aspects of network infrastructure deployment by telecom carriers, including planning, design, and construction. This solution enables a reduction of approximately 60% in the total workload required to build mobile infrastructure—from RAN to core—compared to conventional methods.

Firm Growth in IT Services Aimed at Telecommunications Carriers

Netcracker, a U.S.-based subsidiary of NEC that provides monitoring, control, and automation solutions for telecommunications networks, is experiencing growth in its DX business. This contributes to improved profitability in NEC's telecom services segment. Netcracker's BSS solution, which incorporates generative AI, has been adopted by several companies including T-Mobile US, Inc. The introduction of this solution has resulted in improved sales support and customer care, leading to increased average revenue per user and overall revenue, while also significantly improving operational efficiency.

Launch of Intellectual Property Licensing Business

In 2024, NEC began licensing telecommunications-related technologies—one of its strengths—to companies that develop telecommunications equipment. Specifically, this is a business model that monetizes NEC's renowned technological assets in the wireless and optical domains, along with Japanese design quality, both of which carry globally recognized value. We have already begun supplying technologies to business partners in the Asia-Pacific region and will continue to expand globally.

Social Infrastructure

Aerospace and National Security (ANS)

Business Overview

In the aerospace and national security field, we mainly provide ICT solutions for government agencies. We provide hardware such as radar equipment, secure communications systems, and satellites, as well as ground systems for aircraft and satellite control and data processing, and develop advanced technologies to support said hardware. In the submarine systems domain, we provide comprehensive support for submarine cable systems, primarily for telecommunications carriers, covering all aspects from design and development to installation.

NEC's defense business has been rapidly expanding since fiscal 2024, due to the doubling of the Japanese government's defense budget. As the industry leader in the field of ICT, NEC has seen an increase in contracts by leveraging its long-cultivated technological capabilities.

Strengths

- Advanced optical technological capabilities cultivated over many years, covering all areas, from the ocean floor to outer space; world-leading radio and sound wave sensing, AI, and cybersecurity technologies
- Consistent business structure from in-house design and development through to manufacturing, implementation, operation, and maintenance



Business Strategy

Ramping up Investment Aimed at Growth in the ANS Business

To support the growth of its ANS business, including the defense sector, NEC is focusing on strengthening its organizational structure and technological foundation. To secure exceptional talent, we are currently implementing a plan to add approximately 1,200 employees between fiscal 2024 and fiscal 2026 through both in-house development and external recruitment. A new building has also been built at the NEC Fuchu Plant, which is the ANS business' production base, and has been in operation since fiscal 2025.

NEC has invested in the Geodesic Alliance Fund, L.P., a fund managed by a U.S. venture capital firm, and the Seraphim Space Venture Fund II, which is managed by a U.K. venture capital firm. We aim to strengthen our future business competitiveness by swiftly identifying and collaborating with start-ups with outstanding technological capabilities in national security-related fields such as space, submarine cables, cybersecurity, and defense.

Seizing Business Opportunities in the Submarine Cable Market

With technological advancements in data centers and AI, investment by global platform providers is accelerating alongside traditional telecommunications operators. As a result, the submarine cable market is expanding as a key infrastructure to support the growing volume of global data traffic. Furthermore, submarine cables are becoming increasingly important from the perspective of economic security. NEC is one of the global leaders in the submarine cable business, leveraging its advanced optical communication technologies and strong footprint in the Asia-Pacific region. Through continued investment in development and enhancement of production capabilities, NEC aims to seize emerging business opportunities.



Inter-satellite Optical Communications

The Japan Aerospace Exploration Agency (JAXA) and NEC conducted the world's fastest optical communication using the LUCAS optical inter-satellite communication system between the Advanced Land Observing Satellite-4 "DAICHI-4" (ALOS-4) and a geostationary optical data relay satellite approximately 40,000 km away, transmitting observation data to a ground station via the geostationary satellite successfully for the first time.

Additionally, NEC is strengthening its efforts toward the development and commercialization of an optical communication satellite constellation, following the adoption and grant approval from the Space Strategy Fund. Leveraging its accumulated technological expertise, NEC aims to contribute to resolving social issues across a wide range of public and private applications.

