

2024

# NEC Integrated Report



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# Editorial Policy

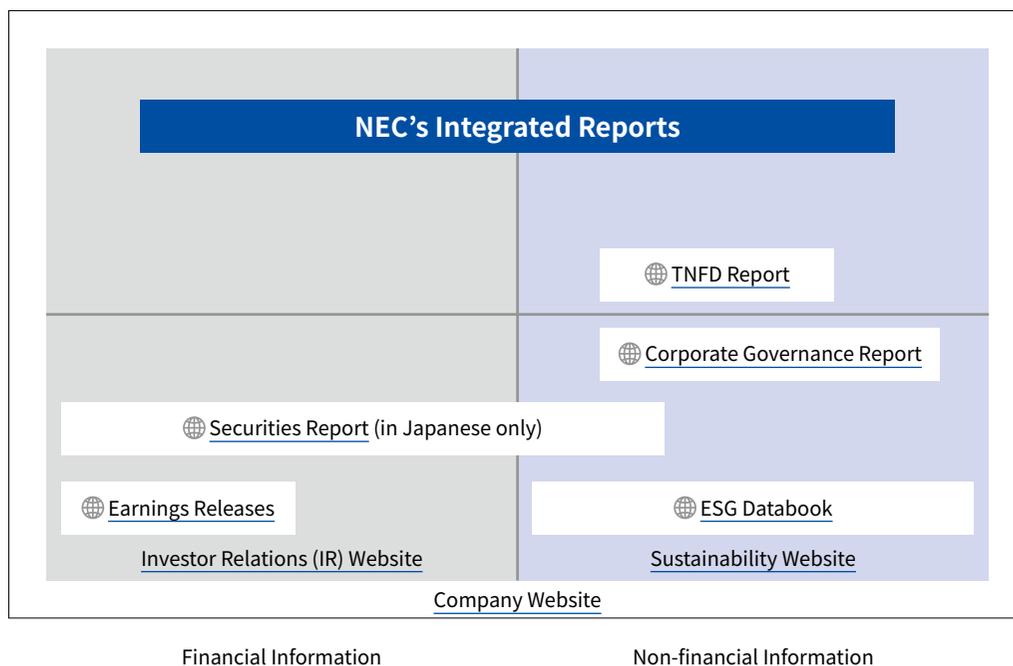
## NEC's Integrated Reports

NEC has published annual reports containing both financial and non-financial information since 2013. Starting in 2018, upon having defined its “materiality,” NEC changed the name of its annual report to “Integrated Report.” NEC positions its integrated report as a web-based publication for all stakeholders, including shareholders and investors, that outlines the Company’s strategies and initiatives for the ongoing creation of social value and the maximization of corporate value. The report also serves as a gateway that directs readers to appropriate media and websites for more detailed information that corresponds with their interests and concerns. NEC will keep endeavoring to provide increasingly transparent and continuous information while incorporating feedback from its stakeholders.

## Key Points of NEC Integrated Report 2024

NEC Integrated Report 2024 comprises initiatives to achieve the NEC 2030VISION and Mid-term Management Plan 2025, which are based on NEC’s Purpose. As NEC enters the fourth year of Mid-term Management Plan 2025, the Message from the President includes a self-assessment of the first half of the plan, policies going forward, and comments on NEC’s mission of creating value in society from the perspectives of strategy and culture. The report also summarizes the management that supports the enhancement of corporate value, focusing on materiality—management priority themes.

🌐 For more details on NEC’s Purpose, please visit the website below or see page 12 of this report.  
<https://www.nec.com/en/global/about/purpose/index.html>



### Reporting Period

April 1, 2023 to March 31, 2024 (hereinafter referred to as “fiscal 2024”; all other fiscal years are referred to similarly). This report also includes information obtained after this reporting period.

### Scope of Report

NEC Corporation and its consolidated subsidiaries

### Reference Guidelines

- ISO 26000
- GRI Standards
- United Nations Global Compact
- International Financial Reporting Standards (IFRS) Foundation’s “International Integrated Reporting Framework”
- Japan’s Ministry of Economy, Trade and Industry’s “Guidance for Collaborative Value Creation”

Note: Due to a change in the calculation method for segment results effective from the fiscal year under review, the results shown for fiscal 2023 and fiscal 2024 have also been calculated using the new method.

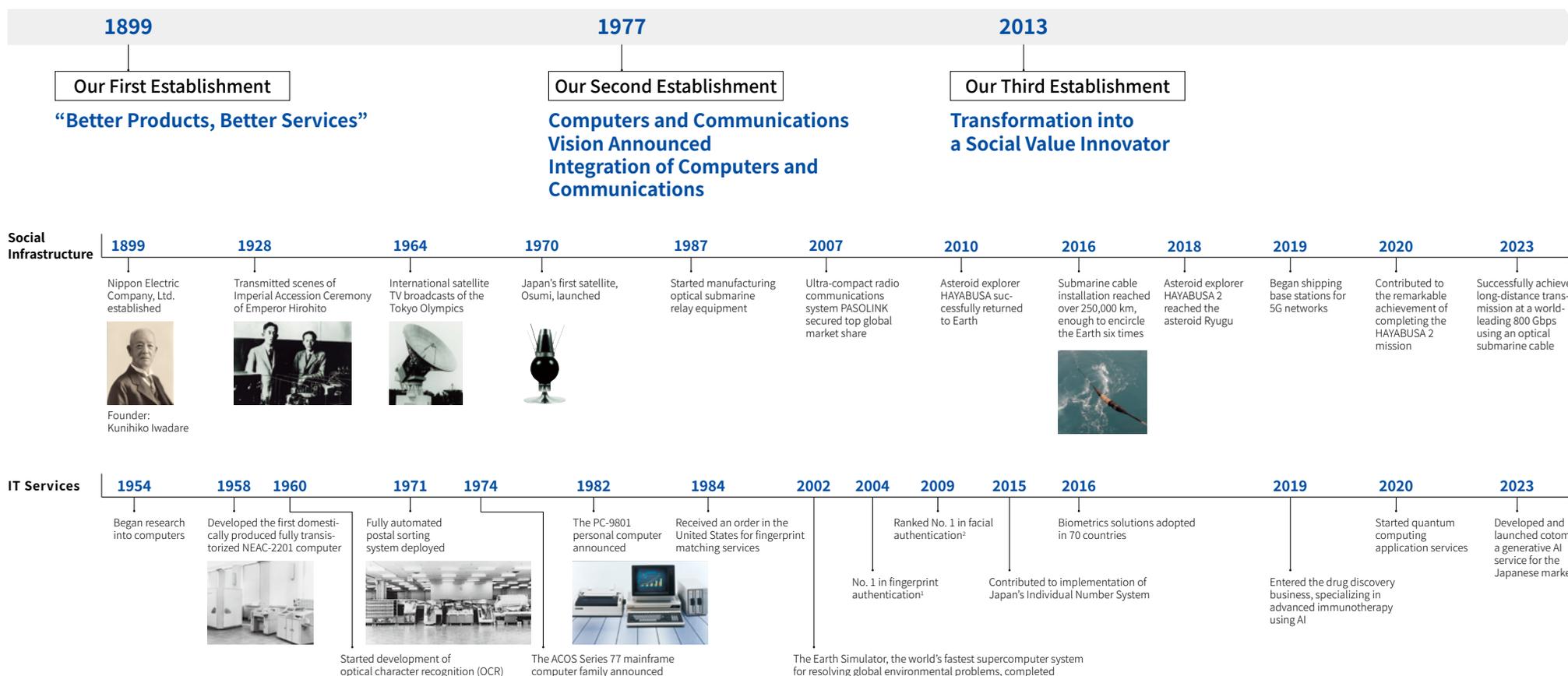


NEC is a signatory to the United Nations Global Compact.

# NEC's Value Creation Journey

Since its founding in 1899, Nippon Electric Company, Ltd. (NEC) has continued to grow by contributing to the realization of a prosperous society and by supporting social infrastructure and mission-critical systems through information and communications technology (ICT). NEC will continue to rise to the challenge of creating new value as a company that brings about change in society through technology, in keeping with its founding spirit of “Better Products, Better Services.”

🌐 To learn more about NEC's history, please visit the website below.  
<https://www.nec.com/en/global/about/history.html>



1 Ranked No. 1 eight times in task assessment, sponsored by the U.S. National Institute of Standards and Technology (NIST)

2 Ranked No. 1 multiple times in facial authentication benchmark testing held by the U.S. NIST  
<https://www.nec.com/en/global/solutions/biometrics/index.html>

Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.

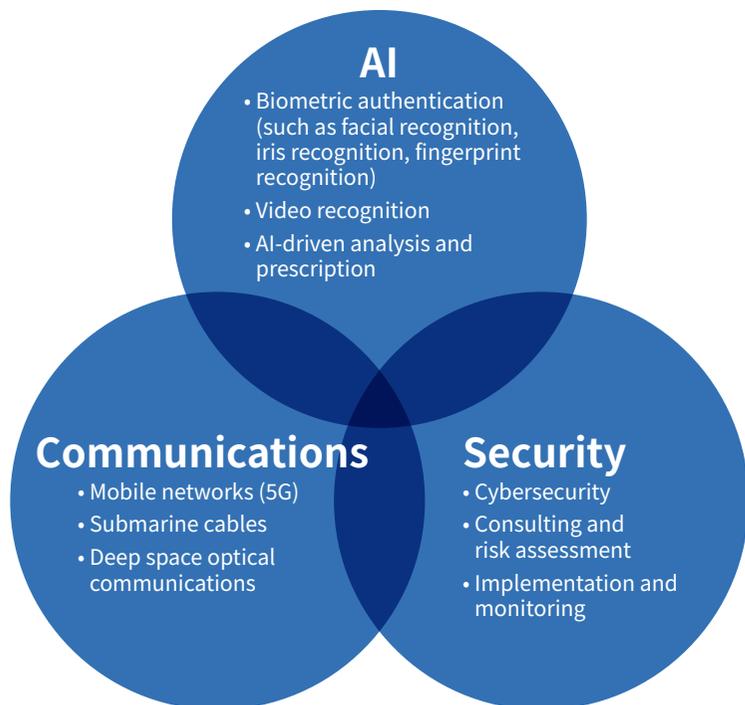
## NEC's Strengths

For 125 years, NEC has contributed to the development of its customers and society, for whom it resolves issues as they arise by supporting social infrastructure and mission-critical systems with ICT. The technologies and human resources we have cultivated over our long history serve as our unique strengths and competitive edge.

People, our greatest management resource, form the foundation of our operations. We apply the technologies created by our talented human resources to guide customers and society in finding resolutions to issues they face, and by building a track record of achievements in this way, we have forged relationships of trust with our customer base. We have continued to reinforce our strengths through this cycle, enabling us to create value for society in any era, which in turn contributes to realizing a sustainable society.

We will strive to realize NEC's Purpose by continuing to provide value to society led by these strengths.

### Technologies



#### Biometric authentication

**No. 1 in the world**

(in benchmark testing held by the NIST<sup>1</sup>)

#### Submarine cables

**Enough to encircle the Earth**

**10 times**

Top market share

#### Machine learning

Number of papers accepted by leading international academic conferences<sup>2</sup>

**Ranked 10th in the world**

#### Biometric authentication, video analytics, and analysis/prescription AI

Number of international patent applications

**No. 1 in the world**

<sup>1</sup> NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.  
<sup>2</sup> Aggregate data from the following major international conferences: The Conference on Neural Information Processing Systems (NeurIPS), the International Conference on Machine Learning, the European Conference on Machine Learning and Principles and Practice of Knowledge Discovery in Databases, and the International Conference on Data Mining

### Human resources

#### AI Specialists

Number of employees in specialized AI organization

**More than 500 specialized team members**

#### Consulting Specialists

ABeam Consulting Ltd. consultants

**Approx. 6,900**

#### DX Talent

**10,376 in total**

(Fiscal 2024)

#### Global specialists<sup>3</sup>

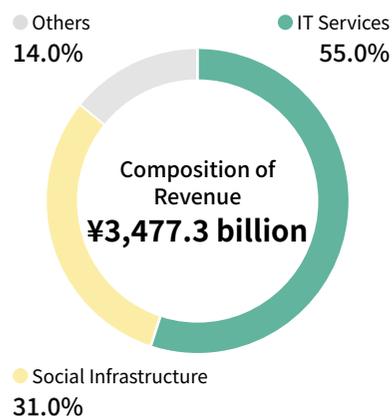
**Percentage of employees that are overseas: 29%**

Collaboration with locations and other research laboratories around the world

<sup>3</sup> For data on the diversity and attributes of NEC's human resources, please refer to "Inclusion and Diversity" on pages 43-49 of *NEC ESG Databook 2024*.

## NEC's Businesses

To realize its Purpose, NEC promotes its businesses in the three areas of IT services, social infrastructure, and others, the latter of which includes the healthcare and life science businesses that will serve as the pillars of the Company's future growth.



Revenue  
**¥3,477.3 billion**

Non-GAAP operating profit  
**¥227.6 billion**

Non-GAAP net profit  
**¥177.8 billion**

Free cash flows  
**¥195.2 billion**

### IT Services

Revenue  
**¥1,914.0 billion**

Adjusted operating profit  
**¥184.1 billion**

#### Business Outline

- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- System Equipment
- Outsourcing/Cloud Services
- Software Services

#### Major Customers

- Japan: Central and Local Governments, Financial and Industrial Sectors, Fire and Disaster Prevention, Broadcasting, and Electric Power Domains
- Overseas: National and Local Governments, Financial Sector, Others



### Social Infrastructure

Revenue  
**¥1,077.3 billion**

Adjusted operating profit  
**¥55.1 billion**

#### Business Outline

- Telecom Services: Network Infrastructure (Core Network, Mobile Phone Base Stations, Optical Transmission Systems, Submarine Systems), Software and Services for Telecom Operators (OSS<sup>1</sup>/BSS<sup>2</sup>)
- Aerospace and National Security: System Equipment, Systems Integration (Systems Implementation, Consulting), and Support (Maintenance) in the aerospace and national security domain

1 OSS: Operation Support System 2 BSS: Business Support System

#### Major Customers

- Telecom Services: Domestic and Overseas Telecom Carriers
- Aerospace and National Security: Central Government, Aerospace Businesses



### Others

Revenue  
**¥485.9 billion**

Adjusted operating profit  
**¥5.0 billion**

#### Business Outline

- Healthcare and Life Science Businesses
- Consolidated Domestic Subsidiaries



Note: The figures for revenue, non-GAAP operating profit, adjusted operating profit, non-GAAP net profit, free cash flows, and composition of revenue are results for fiscal 2024.

## Message from the President

# NEC will continue to change so that it can keep its promises and continue to exceed expectations.

### Preface

Three years have passed since I was appointed president and CEO of NEC Corporation. In this capacity as leader of the organization, I have actively engaged in dialogue with employees, customers, business partners in Japan and overseas, government officials from various countries, and investors. It may seem obvious, but communication is the most simple and effective way of getting to know and understand one another's ideas. As part of this, I actively participate in international conferences and discuss my ideas in my own words. This not only allows me to keep up with the latest information on world-leading organizations and talent but also allows NEC to be seen as a member of that network. The relationships that can be built through communication are extremely valuable.

This is my fourth time writing a message for NEC's integrated report. I view this as a key opportunity to communicate my thoughts to our stakeholders, and I have written this message in the hope that it will help readers to better understand and become more familiar with NEC's management. I would like to thank all of you for taking the time to read this message.



## Message from the President

## Keeping Our Promises

“Why should I believe in your company?” With these words, documents pertaining to a previous mid-term management plan were hurled in front of me. This happened in 2018, when, as the CFO of NEC, I was giving a presentation to an investor about Mid-term Management Plan 2020. At the time, NEC had not been able to keep the promises it had made to the market in its mid-term management and annual business plans. In response to the investor’s question, I explained that one of the three management policies in the management plan was to restructure our execution capabilities. I believe the investor likely lost patience with me at this point.

Unfortunately, in the past, NEC was seen by both the market and wider society as a company that could not keep its promises, and I am sure our employees felt the same way. When I was cast aside by this investor, I came to the realization that companies that cannot keep their promises will not even be listened to, let alone trusted. The incident with the investor is etched into my memory. Over the three years since becoming president and CEO, I have held town hall meetings every month without fail, often introducing this incident as a clear reminder of the importance of keeping promises and earning trust.

Currently, NEC is successfully achieving the milestones it promised to the market in Mid-term Management Plan 2025. Although we have made some revisions to our initial plans for individual projects, we are making strong progress overall. The outlook remains uncertain, with international affairs and financial markets difficult to predict, but even so, I have no doubt that there is a path to achieving the goals set forth in Mid-term Management Plan 2025. This gives me confidence as a leader, while at the same time reminding me of my responsibility to move forward without losing sight of our goals.

## Business Trajectory

In business fields where we are performing well, we will further refine our winning strategies and boldly explore new business opportunities. We are looking forward to reaping the benefits of strong domestic digital transformation (DX) demand, and securing more projects and improving profit levels in the aerospace and national security (ANS) field. Meanwhile, in business fields where performance has been less favorable, we are making headway in turning around low-profit businesses one by one. The 5G business, which had been a source of concern, has seen delays in the arrival of investment for the transition from 4G, so we have had to significantly revise our initial strategy to reduce cash outflows and wait for the tide to turn. The PASOLINK mobile backhaul business, once a mainstay of our overseas operations, merged with another company and is on a sound footing while continuing to provide support to NEC’s customers. In the digital government / digital finance (DGDF) field, three Europe-based NEC companies are contributing to profits, but we believe there is still room for growth by further leveraging NEC’s resources and drawing out synergies for business development. We are strengthening communication between the headquarters and employees at each of our sites through dialogues and meetings. Through these efforts, we are obtaining information from the front lines, such as winning strategies and a sense of the issues they face, which we will then use to make concrete improvements.

In the long term, our goal as a global corporation should be to earn half of our profits domestically and half overseas. This is also a prerequisite for our ability to repeat the cycle of generating stable profits and reinvesting them in the Company to create new value. I believe that capital efficiency and profit growth are important for improving corporate value, but achieving global growth organically is inefficient because it

takes time. M&As are a powerful tool for addressing this issue, and we are currently in the process of rebuilding our strategy from the ground up to determine how we should proceed with growth investments.

## Not Becoming Idle in Tailwinds

Under Mid-term Management Plan 2025, we have been implementing corporate reforms on the two axes of strategy and culture, requiring a lot of effort from our employees and sometimes having to also ask our customers for their cooperation. As a result, we have achieved record profits on the adjusted operating profit level, and are now a company with a sound financial structure, with total equity exceeding ¥2 trillion. If we compare our share price in fiscal 2013, which was below ¥1,000, with the current share price, which is just over ¥10,000, our valuation has increased more than tenfold at the time I am writing this message. I am confident that taking this path of reform was the right thing to do, and I think our employees feel the same way.

So, on paper, it looks like the Company is doing well, but is that really the case? It appears that the share price, which had been discounted, may now be returning to normal. At a recent town hall meeting, I told employees that, although things may look good on the surface, if you take a closer look at individual details, it is likely that you will find something that makes you think “hmm, that’s a little strange” or “I wonder if this is okay the way it is.” If we overlook such things and think that everything must be fine since the share price is good and our performance is strong, these issues will build up and eventually become irreversible.

One good example is profit. In the past, NEC only sought to increase its top line, and profit was secondary. It looked

## Message from the President

good if revenue and share prices were strong. But what about profit? NEC had a semiconductor business with an extremely short investment cycle but was unable to make a stable profit and allocate investment appropriately. This led to a major overhaul of the Company's business portfolio and the departure of many of its employees. While we have been able to turn around several low-profit businesses, the fact remains that our profit margins are still lower than those of our competitors. We are still far from satisfied.

I often say to our employees, "If you cannot get a fair price from the customer, then do not hesitate to turn down such projects." This approach would have been unheard of at the NEC of the past, when we were too accommodating of our customers. Looking to improve profitability, we have been using a system to visualize profitability into data form since 2023. Management can now see data on profit margins from the get-go—information previously only available to those working on the front lines. If we can make this a success, we expect not only to improve profitability itself but also to change how our employees think about profit. We are gradually seeing positive results, and would like to expand the scope of the system's application to maximize its benefits.

## Not Losing Sight of Long-term Goals

We are now in the fourth year of Mid-term Management Plan 2025. Members of the media often ask me how NEC is progressing against the goals of the plan, comparing it to climbing a mountain. This is a difficult question to answer, because, although reaching the summit of a mountain is a clear goal in itself, achieving what we have set forth in our management plan is not our only goal. I say to our employees that the way to approach profit is to maximize long-term profit and

optimize short-term profit. Taking a long-term perspective, being clear about what we are aiming for, and thinking about and acting on what we need to do now in order to achieve our goals is important.

Which actions you choose when taking this kind of long-term perspective can dramatically change the future that follows. If you become idle and leave your sail up in a tailwind, you will never reach your goal. Sometimes you have to fold your sails or change course by reading the wind. From my time as CFO to the present, I feel that by making changes to both systems and culture, we have gradually been able to cast our sights further ahead. We are steadily achieving the goals of Mid-term Management Plan 2025 in order to continue delivering value to all of our stakeholders over the long term. We would like to ask our stakeholders to evaluate us from a long-term perspective and to continue moving forward with us.

## 125 Years and Beyond: Continuing to Change

In 2024, thanks to the support of its stakeholders, NEC celebrated its 125th anniversary. Founded by Kunihiro Iwadare, who earned recognition from Thomas Edison and contributed to the development of modern industrial technology, the Company has supported the development of telecommunications in Japan and contributed to the integration of communications and computing on the global stage. And now, with DX at our core, we are evolving into a company that creates new social value with advanced technology. I am proud of this history that our predecessors have worked to build.

Some of the things that have surprised me most since becoming CEO are the opportunities I have had to meet with people. Whether in Japan or overseas, whenever I have met people, I have been received with trust and respect. It is not

uncommon for NEC to be the only Japanese company, or one of only a few, to be invited to participate in face-to-face interviews or to speak at important international conferences.

For example, I recently was invited to meet with a senior official from the United States. As it was the first time we had met, I tried giving a brief introduction of NEC, but it turned out that he already knew about us, and he even talked to me about the expectations he had for us and about some of our smaller business projects. For me, this encounter represented the value that NEC has created through its 125 years of business, and it also reaffirmed my belief that we are still needed in the current day and age.

That said, I am not sentimental about this 125-year history. To me, it is no more than a number. What is important for us now is not to look back on the past, but to continue to create the future for the next five to 10 years. And we want the world to continue to see NEC as a company that makes a difference and is essential for society.

I was once asked by an employee what I, as a member of management, felt was the biggest risk for the Company. I immediately answered that the biggest risk was employees thinking that we can just carry on as we are. People have a natural tendency to become complacent. If you stand still and stop thinking, then it's all over. Far from just maintaining the status quo, you'll end up falling behind and being left behind by the times. It is people who drive a company forward. When NEC was facing financial difficulties, it was held back by the logic and old ways of thinking of each organization, and the employees were unable to see themselves from an objective standpoint, and so were unable to change.

Businesses are living entities that change. There is no such thing as an optimal state for a company. If a company is bound by past successes, it will never be able to change. As Charles Darwin's theory of evolution states, history has shown us that only those who can adapt to the changing times will survive, and only those who create changes in the times will

Message from the President

prosper. NEC's predecessors changed the technology they used in line with the changing times, and also changed the course of the Company, providing new value to society. This is perhaps the main reason why the Company has been able to continue to exist for 125 years.

In every era, it has been said that we are living in times of incredible change. In other words, change has characterized every era. When leading NEC, I am always thinking about what I need to change. Perhaps the one way in which I follow in the footsteps of my predecessors is by both changing myself and inspiring change in others.

**Lively Discussion among Members of Senior Management**

The senior management that determines the direction of NEC is also changing. In 2023, we followed the lead of several companies we had been keeping an eye on, and transitioned from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc., with the aim of further ensuring sound corporate management. Under the supervision of the Board of Directors, which has been greatly strengthened by the addition of outside directors, NEC has adopted a fast-moving management system by transferring authority to executive officers. The number of outside directors with experience in global management has increased, bringing with them constructive opinions on capital allocation, Group management, M&As, mid-term management plans, and other issues.

To digress a little, the seating order at Board meetings, which used to have inside and outside directors sitting separately, was changed to an alternate seating pattern at the suggestion of an outside director. The Boardroom table, which

used to be very large, was changed to a smaller-sized table so that directors could be in closer proximity to one another. As a result of these measures, I feel that our discussions have become more lively than ever. It is crucial to have a system in place that allows diverse members from different backgrounds to share their ideas, feel at ease with one another, integrate as a team, and be able to discuss matters from a shared perspective.

**Are Employees Happy?**

This is another story from when I was CFO. I was once asked by an investor from the United Kingdom whether our employees were happy, which really stopped me in my tracks. I had never really thought about it before, and the question left a very deep impression on me. Now, as president of NEC, I realize more than ever the importance of ensuring that our employees are happy and that they feel rewarded in their work.

In fiscal 2019, we received a score\* of 19% in our first ever employee engagement survey. I was shocked by how low the figure was. By fiscal 2024, this score had risen to 39%, above the top level for companies in Japan. I think the reason for this is that NEC has been revitalized and energized through the changes we have made, and that this has been recognized by people outside the Company. We are still, however, only halfway toward the 50% target we promised in Mid-term Management Plan 2025. As such, we will continue to communicate with our employees as we strive to become a world-class company.

When it comes to increasing awareness of NEC's Purpose and reforming its corporate culture, I make a particular effort to be consistent in communicating the substance and essence of our message, even if the words or analogies used change.

We have held more than 40 town hall meetings, an initiative that I introduced at the time I was appointed president, and the number of participants has increased by several thousand since the first meeting, with roughly 10,400 employees attending each meeting since the beginning of this fiscal year. At first, I may have only reached a few people. However, the more these meetings are held, the more the message will spread, just as when damp firewood slowly dries out and catches fire, the surrounding damp firewood also dries out and the fire spreads.

In terms of communicating with those outside of NEC, I am also actively involved in speaking at international events and am often interviewed by global media. This helps to attract the attention of our global employees. I am also expanding the scope of my activities beyond conventional channels, by appearing in online video media watched by younger



Message from the President

generations and sending out messages via recruitment services. On LinkedIn, I regularly post up-to-date information about my activities and interviews with external partners. I also see these external communications as an opportunity to deliver messages to our employees and their families.

In fiscal 2025, it is more important than ever to listen to our employees and clearly convey our messages. We have implemented job-based human resource management at NEC. Change is always accompanied by uncertainty, and so I also receive negative feedback at times. However, it is necessary for us to change and for each organization to achieve its goals. Change is also a way to create systems that will allow employees to work happily and feel more rewarded. I want our employees to understand the purpose of these changes and see them as an opportunity to improve themselves and grow, and as a company, we want to create various opportunities for our employees to do so.

I am also asking employees to update their work styles. Having been subjected to various restrictions imposed by the COVID-19 pandemic, many are reassessing the benefits of meeting in person and the ways to maximize team strength for achieving organizational goals. NEC provided loose guidelines that employees should be in the office 40% of the time, and that each team should find the most suitable way of working. As a result, employees are now working in a way that integrates in-person and online activities more effectively than ever before, and we are receiving positive feedback that decisions are made more quickly, and that this system is more efficient. At the same time, employees have also raised concerns about the lack of available meeting rooms and the need for a better IT environment, and so we are working to build an environment in which employees can work more efficiently.

This new way of working is also becoming more widespread among the customers we support with DX. We capitalize on our organization by implementing initiatives as “client zero.” This is to reflect our own experiences in our proposals to customers and to learn from our new experiences to

provide value. We will continue to test new work styles within NEC through trial and error, and hope that the results will be beneficial to our customers.

\* In a survey conducted by global HR consulting company Kincentric; a score of 50% is roughly within the global top 25 percentile and is classed as Tier 1 level.

### Guiding Customers and Society through DX with NEC BluStellar

In May 2024, I made an important announcement for the NEC Group. I unveiled NEC BluStellar, a value creation model that will lead our customers into the future. NEC BluStellar is not something that can be created from scratch, nor is it the name of a product. It is the technologies, solutions, people, and organizations of NEC and its global partners. It is the collective name for the knowledge and experience we have gained through our own transformation as “client zero” and in assisting our clients in their DX efforts. This approach to the value creation process is extremely different from the NEC of the past, and represents our transformation from an ICT company to a company that creates social value.



NEC BluStellar is a constantly evolving concept. The knowledge and experience we gain as we transform ourselves and our customers will further increase the value provided by NEC BluStellar. A key theme for the future will be how to continue to expand NEC’s strengths with NEC BluStellar at our core.

### The Path to Victory for Generative AI

Among the elements that make up NEC BluStellar, one that has great potential is cotomi, our in-house developed generative AI. As the rest of the world focuses on large language models (LLMs) and many companies are announcing that they will begin their own development or utilize the world’s leading LLM, NEC announced in summer 2023 that it would develop and start industrial use of a proprietary finished product. Some of our customers that are already using our AI are seeing great results. We are proud to take the lead over our competitors in Japanese language-based generative AI, but we also feel that we face a challenge in that this has not been fully recognized. I believe it is important to accelerate R&D of generative AI and accumulate concrete results.

Going forward, we will enter a phase in which we will begin to integrate LLMs into our systems. In other words, LLMs will become a frontline tool for business and manufacturing and will demonstrate their true value in the real world. Therefore, it is essential to have the know-how to respond to the unique data and business structure of each industry, rather than a generic generative AI.

Early on in the development of cotomi, we focused on what kind of data to handle and how to ensure its governance. As such, we have been building up use cases with customers in a variety of industries. Any lead time we have in developing generative AI earlier than other companies could be gone in an instant, but the know-how of how to implement it in

## Message from the President

individual industries is not something that is gained overnight. As a forerunner, we will apply cotomi and other generative AIs in real-world scenarios and contribute to the DX efforts of our customers and society.

## The Future of NEC

Why does NEC exist and why are we indispensable to our customers and society? The answer to this can be found in our Purpose. By setting forth our aim to create the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential, we have been able to push forward with reforms and get back on a growth path.

Over the next few years, we will begin to see a future where AI is a natural part of our lives. This will speed up the pace of change in both the business environment and society itself. The shape of global economic security may also undergo a dramatic change. How will NEC pursue the realization of its Purpose in such a world? Many people feel threatened by the thought of technology that surpasses human intellect, but if we approach it from a viewpoint of good will, humanity will surely be able to evolve in a brighter direction.

NEC is a company that handles technology properly. From international communications utilizing outer space and the ocean floor to AI, quantum technology, and national-level security technology, we offer systems and hardware with stable and reliable quality that support the day-to-day activities of the public and private sectors. In the coming era of AI, this rare global portfolio will become even more essential. If we follow the words in our Purpose, we will naturally become a trusted

partner that is chosen by customers all around the world.

When that time comes, harnessing the diversity of our 110,000 Group employees will be crucial. It is precisely because we boast such a diverse workforce that we can identify new possibilities, take on challenges without being bound by precedent, and create innovation in the world. The 110,000 employees in the Group form one NEC in the eyes of our

customers and society. To go beyond our customers' expectations and deliver even greater value, we must get to know and understand each other better. We use the phrase "OneNEC" within the Company, and I will continue to deepen communication so that these words become a reality. As I mentioned at the beginning of this message, communication may sound simple, but it really is the most effective way.

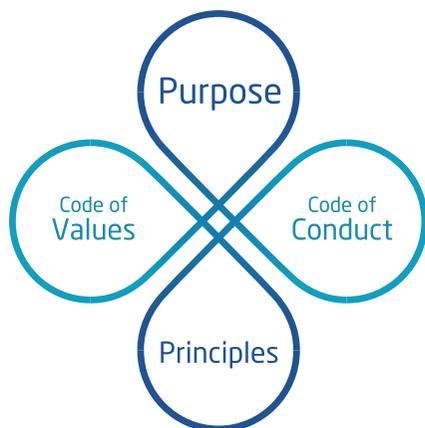


## NEC Way

# By putting the NEC Way into practice, we will create social value.

Since its founding, NEC has worked to provide social value by putting forth its own unique approach to each era. We will pursue innovation and work to realize NEC's Purpose, with the goal of living harmoniously with the Earth and creating mutual understanding between people, no matter the era, no matter the conditions.

### NEC Way



The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself.

### Our Stance as a Company

#### Purpose

**Orchestrating a brighter world**

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

#### Principles

The Founding Spirit of “Better Products, Better Services,” Uncompromising Integrity and Respect for Human Rights, and Relentless Pursuit of Innovation

### Our Stance as Good Businesspeople

#### Code of Values

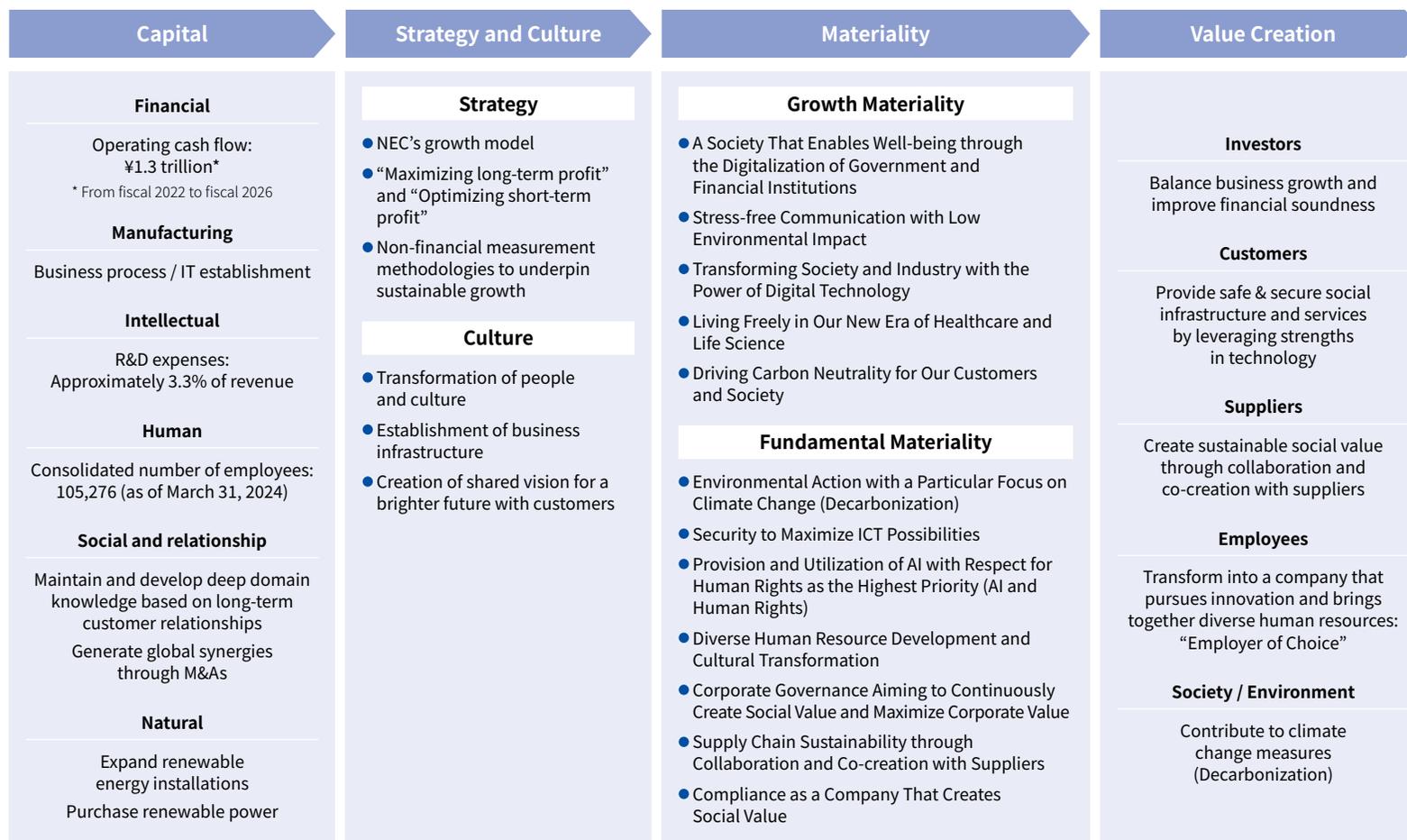
#### Code of Conduct

For more details on the NEC Way, please visit the website below.  
<https://www.nec.com/en/global/about/the-nec-way.html>

## NEC's Value Creation Process

Under Mid-term Management Plan 2025, NEC aims to connect its Purpose with strategy and culture based on the Company's unique tangible and intangible assets, and to realize value creation through corporate action by putting its materiality into practice. By prioritizing material issues that contribute to the sustainable growth of the Company and greater society, NEC will provide value to various stakeholders and realize the NEC 2030VISION while contributing to the achievement of the Sustainable Development Goals (SDGs).

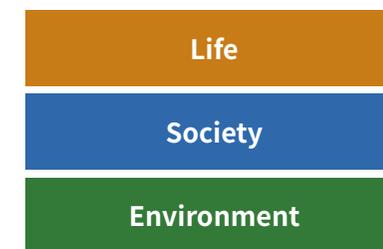
For more details on the NEC 2030VISION, please visit the website below.  
<https://www.nec.com/en/global/about/vision/>



### Orchestrating a brighter world

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

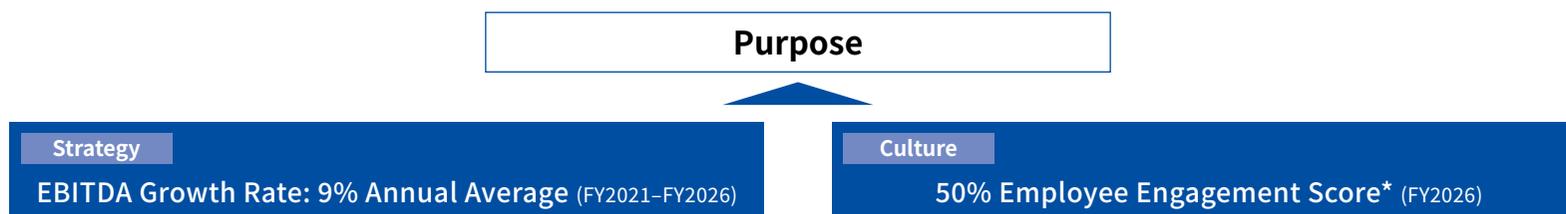
### NEC 2030VISION



# Mid-term Management Plan 2025

## Basic Policy

In fiscal 2022, the NEC Group formulated Mid-term Management Plan 2025, which ends in fiscal 2026, to realize both the Purpose set forth in the NEC Way and the NEC 2030VISION. To promote Purpose-driven management under Mid-term Management Plan 2025, we have set target indicators from the perspectives of both strategy and culture.



### Strategy

We will increase sales and profit margins to achieve EBITDA growth. We have designated the digital government / digital finance (DGDF) business, 5G business, and core DX business as growth businesses, and will prioritize investment in these businesses to gain and strengthen competitiveness, aiming to drive revenue and profit growth. We are working to develop and improve our system for monitoring low-profit businesses in particular.

In addition, we aim to always ensure that 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.

We have set our employee engagement score as one of our target indicators, and are working to become an employer of choice through our efforts to achieve a transformation of people and culture, establish business infrastructure, and create a shared vision for a brighter future with our customers.

\* In a survey conducted by global HR consulting company Kincentric, a score of 50% is roughly within the global top 25 percentile and is classed as Tier 1 level.

## Mid-term Management Targets

(Billions of yen)	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Results	FY2025 Forecast	FY2026 Targets
Revenue	2,994.0	3,014.1	3,313.0	3,477.3	3,370.0	<b>3,500.0</b>
Adjusted operating profit	178.2	171.0	205.5	223.6	255.0	<b>300.0</b>
Ratio to net sales (%)	6.0%	5.7%	6.2%	6.4%	7.6%	<b>8.6%</b>
Non-GAAP <sup>1</sup> operating profit	150.9	160.3	197.0	227.6	255.0	<b>300.0</b>
Ratio to net sales (%)	5.0%	5.3%	5.9%	6.5%	7.6%	<b>8.6%</b>
Non-GAAP <sup>1</sup> net profit	144.6	159.5	132.8	177.8	165.0	<b>185.0</b>
Ratio to net sales (%)	4.8%	5.3%	4.0%	5.1%	4.9%	<b>5.3%</b>
EBITDA <sup>2</sup>	295.8	304.0	347.8	379.5	380.0	<b>425.0</b>
Ratio to net sales (%)	9.9%	10.1%	10.5%	10.9%	11.3%	<b>12.1%</b>
ROIC <sup>3</sup>	4.7%	3.9%	4.7%	5.0%	5.9%	<b>6.5%</b>

🌐 Please refer to [Mid-term Management Plan 2025 \(announced in May 2021\)](#) for further details.

🌐 For more details on progress made against the goals of Mid-term Management Plan 2025, please refer to [the NEC IR Day materials](#).

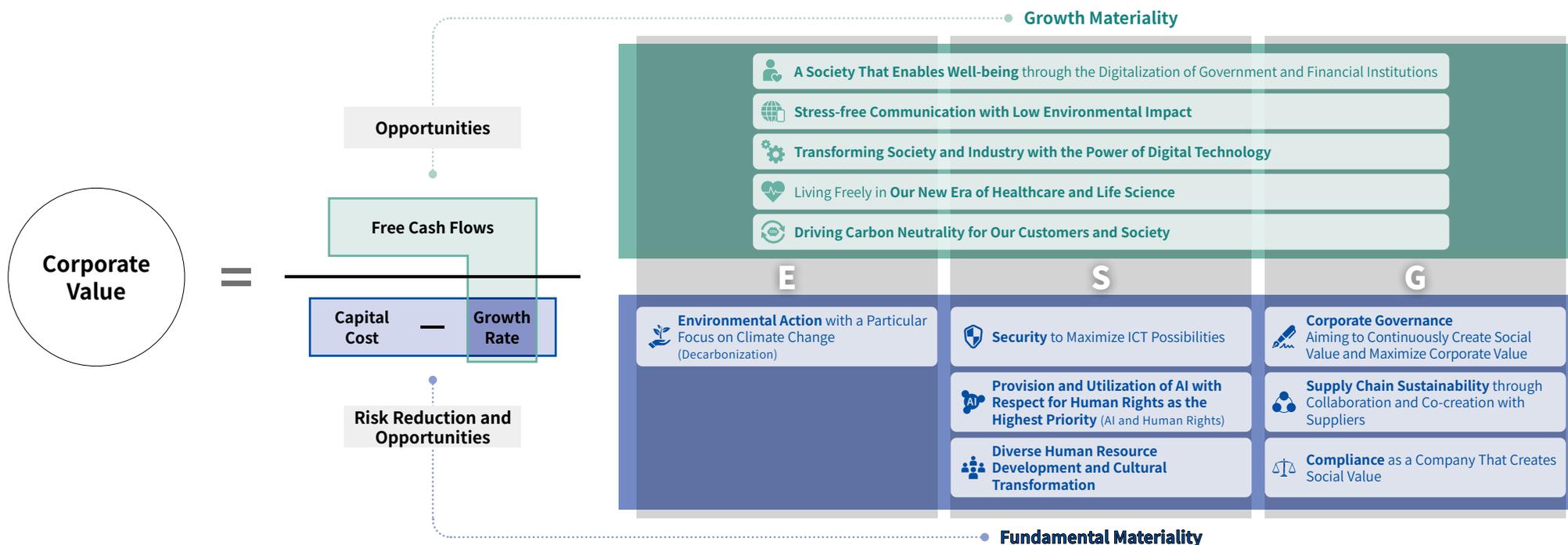
<sup>1</sup> Non-GAAP profit (loss) is an indicator for measuring underlying profitability. It is measured by deducting amortization of intangible assets recognized as a result of M&As, expenses for acquisition of companies (financial advisory fees and other fees), one-time structural reform expenses, impairment losses, stock compensation, and other one-time profits (losses) from operating profit (loss). Also, non-GAAP net profit (loss) attributable to owners of the parent (for the quarter) is an indicator for measuring underlying profitability attributable to owners of the parent. It is measured by deducting adjustment items of profit (loss) before income taxes (for the quarter) and corresponding amounts of tax and non-controlling interests from net profit (loss) attributable to owners of the parent (for the quarter).

<sup>2</sup> EBITDA = Gross profit – SG&A expenses + Depreciation/Amortization

<sup>3</sup> ROIC = (Unadjusted operating income – Deemed corporate tax [30.5%]) ÷ (Term-end interest-bearing debt + Term-end net assets [including minority interest])

## NEC's Approach to Materiality for Increasing Corporate Value

A part of our financial strategies in Mid-term Management Plan 2025 involves identifying and implementing initiatives to address seven priority management themes to strengthen the non-financial foundation that encompasses ESG and underpins the sustainable growth of companies and society. In fiscal 2024, we have further clarified our approach to increasing corporate value by addressing ESG issues in an integrated manner to both reduce risks and generate growth and opportunities. We positioned our seven priority management themes as our “Fundamental Materiality” with the objective of reducing risk and increasing our growth rate. We have also organized them into five social and environmental themes as our “Growth Materiality” under which we aim to create growth businesses during Mid-term Management Plan 2025 to generate growth and opportunities while increasing our growth rate. NEC will promote businesses with significant social, environmental, and economic value by addressing its Fundamental and Growth Materiality while aiming for continuous inclusion in major ESG indices.



### The NEC Sustainability Advisory Committee—Providing an Opportunity for Dialogue with Stakeholders

NEC's materiality was determined with reference to ISO 26000, the GRI Standards, the principles of the UN Global Compact, the SDGs, and the SASB Materiality Map, among others, and through dialogue with experts in various fields and with representative stakeholders.

The NEC Sustainability Advisory Committee, in which the CFO and officers engaged in sustainability promotion consult with external experts on sustainability, was established in 2022 to serve as a place for holding high-level discussions on the theme of materiality that contribute to improving both corporate and social value and identifying the Company's direction in times of high uncertainty and rapid change, leading to improvements in sustainability-related initiatives.

Starting in fiscal 2025, the committee has been holding discussions on the theme of how to not only reduce sustainability-related risks but also how to link sustainability to growth with the aim of achieving sustainability-driven management.

For more details on the NEC Sustainability Advisory Committee, please visit the website below.  
[https://www.nec.com/en/global/sustainability/management/advisory\\_committee.html](https://www.nec.com/en/global/sustainability/management/advisory_committee.html)



(From left to right)  
**Peter David Pedersen** (Chair) Co-Founder, Next Leaders' Initiative for Sustainability (NELIS) **Masaru Arai** Chair, Japan Sustainable Investment Forum (JSIF) (until March 2024) **Asako Nagai** Managing Director, Business for Social Responsibility (BSR) **Hiroyuki Horii** Senior Managing Executive Officer and Chief Sustainability & Strategy Officer, Sumitomo Mitsui Trust Asset Management Co., Ltd. **Osamu Fujikawa** CFO, NEC

NEC's Approach to Materiality for Increasing Corporate Value

**Materiality Risks and Opportunities**

The risks and opportunities for each of our material issues (materiality), and the measures we are taking to respond to them, are as follows. NEC is working to appropriately manage risks and expand opportunities in order to facilitate a flexible response to unexpected changes that may occur.

	Materiality	Risks	Opportunities	Initiatives
Growth Materiality	A Society That Enables Well-being through the Digitalization of Government and Financial Institutions (DGDF)	<ul style="list-style-type: none"> <li>Widening regional differences in government services due to Japan's aging population and the so-called "digital divide," as well as increasing wealth polarization and disparity</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration and integration with government, finance, and various other industries</li> <li>Expansion of user base for advanced asset management advice and asset transactions</li> </ul>	<ul style="list-style-type: none"> <li>P.22 Digital Government / Digital Finance</li> <li>Digital Government</li> <li>Digital Finance</li> </ul>
	Stress-free Communication with Low Environmental Impact (Global 5G)	<ul style="list-style-type: none"> <li>Environmental burden due to increased energy consumption by telecommunications equipment</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for solutions that enable efficient traffic accommodation, network construction, flexible network operation, and carbon neutrality</li> <li>Increased emphasis on secure communications</li> </ul>	<ul style="list-style-type: none"> <li>P.24 Telecom Services</li> <li>5G</li> </ul>
	Transforming Society and Industry with the Power of Digital Technology (Core DX)	<ul style="list-style-type: none"> <li>Delays in implementation in actual business due to a lack of human resources with DX expertise and difficulty in creating road maps</li> </ul>	<ul style="list-style-type: none"> <li>Continued IT demand due to digitalization of both society and enterprises</li> <li>Increased adoption of cloud-based services that use digital technologies</li> </ul>	<ul style="list-style-type: none"> <li>P.21 IT Services in Japan</li> <li>NEC BluStellar (in Japanese only)</li> </ul>
	Living Freely in Our New Era of Healthcare and Life Science	<ul style="list-style-type: none"> <li>Delays in collaborations and market growth</li> </ul>	<ul style="list-style-type: none"> <li>Increasing demand for healthcare that uses cutting-edge technologies such as AI</li> </ul>	<ul style="list-style-type: none"> <li>P.31 Healthcare and Life Science Businesses</li> <li>Healthcare and Life Science</li> </ul>
	Driving Carbon Neutrality for Our Customers and Society	<ul style="list-style-type: none"> <li>Increased costs due to the introduction of carbon pricing and CO<sub>2</sub> emission levels</li> <li>System failure from natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Increasing demand for ICT solutions to realize carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>P.31 Green / Carbon Neutrality-related Businesses, AI Farm Management (Agriculture)</li> <li>Environmental Solutions (in Japanese only)</li> <li>Agricultural ICT Solutions</li> <li>Adaptation Finance</li> </ul>
Fundamental Materiality	Environmental Action with a Particular Focus on Climate Change (Decarbonization)	<ul style="list-style-type: none"> <li>System failure from natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Increasing demand for ICT solutions to realize carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Securities Report for Fiscal 2024 (in Japanese only), P.23 "The NEC Group's Climate Change Strategy, Indicators, and Targets"</li> <li>P.36 Environmental Initiatives: Living Harmoniously with the Earth to Secure the Future</li> <li>P.20 Climate Change Countermeasures</li> </ul>
	Security to Maximize ICT Possibilities	<ul style="list-style-type: none"> <li>Information leaks, unauthorized access, system failure</li> </ul>	<ul style="list-style-type: none"> <li>Development of security professionals</li> <li>Provision and operation of robust information systems</li> </ul>	<ul style="list-style-type: none"> <li>P.28 Innovation: R&amp;D and Business Development</li> <li>P.81 Information Security and Cybersecurity</li> </ul>
	Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)	<ul style="list-style-type: none"> <li>Invasion of privacy-related risks accompanying new technologies</li> <li>Risks of human rights violations in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>P.28 Innovation: R&amp;D and Business Development</li> <li>P.68 Respect for Human Rights P.74 AI and Human Rights P.77 Personal Information Protection and Privacy P.81 Information Security and Cybersecurity P.114 Innovation Management</li> </ul>
	Diverse Human Resource Development and Cultural Transformation	<ul style="list-style-type: none"> <li>Harassment (designated as a Priority Risk in fiscal 2024 and fiscal 2025)</li> <li>Long working hours (designated as a Priority Risk in fiscal 2025)</li> <li>Difficulty in securing and developing human resources</li> </ul>	<ul style="list-style-type: none"> <li>Greater organizational strength through improved employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>P.34 Human Resource Strategy: NEC, for Those Who Seek Challenge</li> <li>P.41 Human Capital Management P.43 Inclusion and Diversity P.50 Hiring, Retention, and Compensation P.55 Human Resource Development P.60 Occupational Health and Safety and Work-Life Balance</li> </ul>
	Corporate Governance Aiming to Continuously Create Social Value and Maximize Corporate Value	<ul style="list-style-type: none"> <li>Inadequate accounting processes</li> <li>Mismanagement of confidential information</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of trust from society</li> </ul>	<ul style="list-style-type: none"> <li>P.6 Message from the President P.17 CFO Message P.20 Business Strategy P.40 Corporate Governance</li> <li>P.96 Corporate Governance</li> </ul>
	Supply Chain Sustainability through Collaboration and Co-creation with Suppliers	<ul style="list-style-type: none"> <li>Risks of human rights violations in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration and co-creation with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>P.108 Supply Chain Management</li> </ul>
Compliance as a Company That Creates Social Value	<ul style="list-style-type: none"> <li>Compliance breaches (illegal acts, fraudulent acts)</li> <li>Compliance with quality and safety laws and regulations (designated as a Priority Risk in fiscal 2024 and fiscal 2025)</li> <li>Enhancing the quality of project contracts (designated as a Priority Risk in fiscal 2024 and fiscal 2025)</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of trust from society</li> </ul>	<ul style="list-style-type: none"> <li>P.68 Respect for Human Rights P.74 AI and Human Rights P.77 Personal Information Protection and Privacy P.81 Information Security and Cybersecurity P.88 Quality and Safety P.96 Corporate Governance P.98 Risk Management P.103 Compliance P.108 Supply Chain Management</li> </ul>	

## CFO Message



### Osamu Fujikawa

Corporate Executive Vice President and CFO  
(Representative Executive Officer), Member of the Board

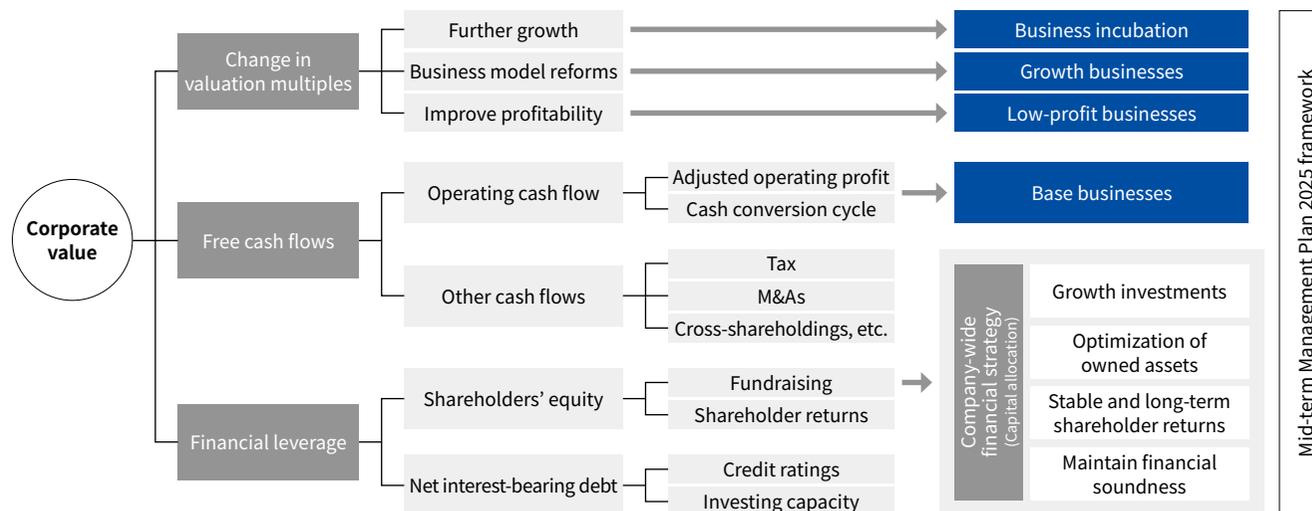
### Completion of the Third Year of Mid-term Management Plan 2025

Three years have already passed since my appointment as CFO, and I have now entered my fourth year of tenure. Mid-term Management Plan 2025, which we announced in May 2021, has already passed its halfway point and is now in its final stages. Looking back at fiscal 2024, the third year of the plan, revenue and non-GAAP operating profit exceeded our initial forecasts, due in part to the continued strong performance of our domestic IT services business and growth in our national security business. For fiscal 2025, we are projecting revenue of ¥3,370.0 billion and non-GAAP operating profit of ¥255.0 billion. Revenue is expected to decrease by 3.1%, mainly due to Japan Aviation Electronics Industry, Ltd. no longer being a consolidated subsidiary, but we expect both the IT Services and Social Infrastructure businesses to see an increase in revenue, as the Company plans to take advantage of the continued strong demand in the domestic IT services and aerospace and national security domains to firmly seize business

opportunities. We will also continue to work on improving profitability, and plan to achieve a year-on-year increase in non-GAAP operating profit of ¥27.4 billion. At around double the fiscal 2021 level, the target of ¥300.0 billion in non-GAAP operating profit set forth in Mid-term Management Plan 2025 initially appeared to be a rather challenging hurdle, but we are now starting to see a path to achieving it.

While revenue and non-GAAP operating profit are important indicators, we also need to improve our valuation multiples, generate stable free cash flows, and optimize financial leverage if we are to achieve our ultimate goal of enhancing corporate value. As a framework for achieving the goals set forth in Mid-term Management Plan 2025, we have set a target level of corporate value to be achieved by the end of fiscal 2026, the final year of Mid-term Management Plan 2025, and are working to achieve this by creating a road map and setting clear milestones in a logic tree, which we incorporate into our action plan and review on a regular basis. In the next section, I will focus on the activities I am responsible for as CFO as we work to achieve our target level of corporate value.

### Logic Tree for Improving Corporate Value



CFO Message

**Measures to Improve Profitability of Low-profit Businesses**

To increase profits, I believe that it is important to improve the profitability of base businesses in parallel with the development of growth businesses, and, as CFO, I am taking a hands-on approach to monitoring the improvement of particularly low-profit businesses. Businesses that do not meet the set hurdle rate are defined as low-profit businesses. I am working with the relevant business units to identify structural issues related to profitability and formulate improvement plans, and I regularly monitor the progress of these initiatives. At the start of Mid-term Management Plan 2025, there were 16 businesses defined as low-profit businesses, but the number has been reduced to nine as of the end of fiscal 2024, and the profitability of the remaining businesses has also steadily improved. Of the nine businesses that have successfully exited the group of monitored low-profit businesses, the mobile backhaul business was chosen to be integrated with a partner company. While considering options such as this, we will continue our activities to turn around low-profit businesses by the end of fiscal 2026 as planned. Meanwhile, to prevent high- and

medium-profit businesses from becoming low-profit businesses, we will work to improve profit margins on a permanent basis through early detection and improvement of businesses that may present issues when carrying out the annual budget.

**Improving Capital Efficiency**

To increase free cash flows, it is important to improve capital efficiency as well as increase profits.

One approach we have taken to this end is to shorten our cash conversion cycle (CCC). In fiscal 2023, we took strategic measures including increasing inventory in response to business conditions such as component shortages, but by the end of fiscal 2024, we had almost normalized our operations. Having experienced these changes in the business environment, we have resumed activities to improve asset efficiency that are in line with current business conditions. In particular, as we work to address the vulnerability of supply chains that was brought to the fore by the COVID-19 pandemic, we are strengthening measures to ensure thorough management of working capital, as well as preparing for potential future risks by promoting closer collaboration between related departments such as sales,

manufacturing, and procurement. We are also engaging in ongoing efforts to promote the creation of cash by converting assets into cash, while taking steps to eliminate cross-shareholdings and examining the significance of continuing to hold real estate.

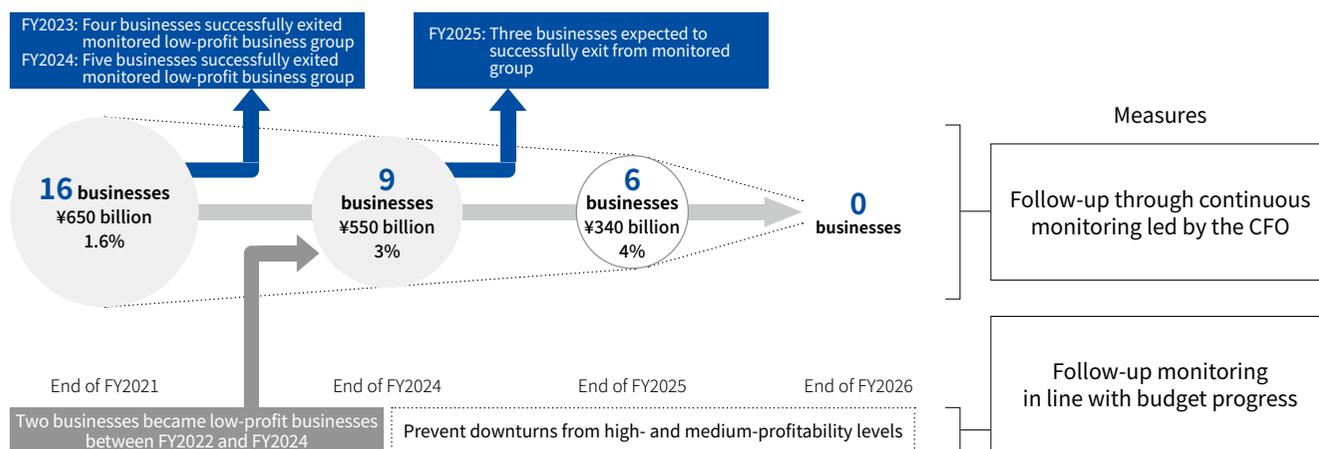
We recognize that ROIC should exceed the weighted average cost of capital (WACC) level expected by the capital markets, and have set a target of 6.5% for fiscal 2026 (7.0% if no M&As are implemented). We will first thoroughly ensure that we meet this standard, and then work to improve upon it while ensuring consistency with our management strategies, such as our competitive environment and M&As.

**Capital Allocation**

Through the measures I have mentioned, we aim to generate ¥1.3 trillion in operating cash flow over the five-year period from fiscal 2022 to fiscal 2026. Our policy is to retain the cash generated as surplus funds for investments in areas that will become growth drivers in the future, as opportunities arise aimed at increasing corporate value while prioritizing stable dividends and maintaining financial soundness. We will use the level of financial soundness currently evaluated by credit rating agencies as a guideline to be maintained over the medium term. Our basic policy regarding dividends is to steadily increase them. In the dynamic ICT market, there is an abundance of investment opportunities for business expansion. We will maximize returns to our shareholders by translating these investment opportunities into increased earnings, and through capital gains from increased corporate value and stable dividends. We will also make flexible decisions regarding acquisition of treasury stock, considering factors such as growth investment plans and the level of surplus funds.

**Achieving Data-driven Management**

We are working to revamp our core systems to enable them to serve as a management infrastructure that will allow us to digitally grasp the progress and effects of initiatives like those



Note: Figures in circles refer to the number of target businesses monitored by the CFO, and include the total revenues and adjusted profit margin of the targeted businesses.

## CFO Message

I have discussed so far, as well as the impact of changes in the business environment, and to respond flexibly and promptly to these changes. Because NEC works with a variety of products whose characteristics differ from business to business, there had been no unified Company-wide system for the process from sales negotiations to contracts and orders. To address this issue, we have standardized data by establishing Company-wide criteria for products and pricing and standardizing processes. This has enabled us to share information to the entire Company that had previously only been visible within individual business units. The first iteration of the new system for sharing information was launched in May 2023, with all other releases expected to be made by the end of fiscal 2026. We are beginning to see results emerge through the use of this system sooner than expected. For example, it is now possible to instantly view detailed data on the actual status of operations, enabling us to immediately identify issues and implement appropriate countermeasures. The system then enables us to grasp the progress of countermeasures whenever necessary in the form of data, making data-driven management possible. Importantly, this means that an environment has been created in which everyone from top-level management to the relevant personnel can view, make decisions, and take action based on the same shared data. By further strengthening internal systems and human resource development to make the most of this visualized information, we hope to utilize the data in a more advanced manner going forward.

### Non-financial Strategies Linked to Corporate Value

Positioning non-financial strategies as an important foundation for sustainable growth, NEC not only discloses non-financial information in response to requests from external parties but also aims to utilize non-financial information for the sustainable enhancement of corporate value by further clarifying the link between non-financial strategies and financial aspects of the Company. In addition to working to reduce capital cost over the medium to long term from a risk

management perspective, we will leverage the know-how we have developed through our in-house efforts to address issues such as climate change and information security to propose solutions to our customers, leading to expanded business opportunities and increased free cash flows. We are also working to further advance and apply causal analysis of indicators of corporate value and non-financial data and initiatives. One such example is our analysis of correlations between corporate value indicators and our “transformation of people and culture” initiative. To achieve the target employee engagement score of 50% set forth in Mid-term Management Plan 2025, we have identified measures that are expected to have a particularly significant impact on each organization, and are narrowing down our focus areas and working to improve our initiatives with efficiency and effectiveness as key themes. By using the data we have gathered in this way, we are incorporating non-financial indicators into data-driven management, leading to more advanced managerial practices.

In July 2024, NEC issued a sustainability-linked bond via a public offering in the domestic corporate bond market. The issuance of the bond is an example of NEC using financing to show its strong commitment to one of its material issues (Fundamental Materiality), “Environmental Action with a Particular Focus on Climate Change (Decarbonization).” The SDGs-based financing initiatives are the NEC Group’s Purpose put into practice, and they provide a way for us to engage in dialogue and co-creation with a variety of stakeholders related to our management of sustainability initiatives.

### Final Remarks

I have been striving to do my part in achieving the goals of Mid-term Management Plan 2025 for the past three years since becoming CFO, but looking back, my appointment came at a time when the Company was under exceptional operating conditions due to the COVID-19 pandemic. Since then, the Company has faced further changes in the business environment, such as

a shortage of components and a sharp depreciation of the yen, and I have been compelled to make management decisions to minimize the impact of such external factors. From this experience, I have learned that while it is important to be able to prepare countermeasures for anticipated risks, it is also important to have a system in place to quickly grasp changes and swiftly implement countermeasures, given the likelihood that unexpected or greater-than-expected risks may occur. In other words, I have come to believe that the ability to respond resiliently to changes is crucial. I mentioned earlier that we are beginning to see a path to achieving the adjusted operating profit target set forth in Mid-term Management Plan 2025, but geopolitical risks, abnormal weather events, and other factors mean that the business landscape remains uncertain. We will swiftly identify signs of change and, while making full use of our long-cultivated ability to respond, we will fully commit to achieving the targets of Mid-term Management Plan 2025.

From fiscal 2025, we have decided to calculate and disclose segment performance by properly allocating Company-wide expenses, which were previously shown as adjustments, to each segment. We believe that this will make it easier for investors to make comparisons between NEC and other companies, help us to gain a more accurate understanding of the state of operations within the Company, and be particularly effective in expediting efforts to improve profitability. Since taking office, I have made changes to the way NEC discloses information, including reorganizing the Company’s business segments into IT Services and Social Infrastructure and introducing the disclosure of non-GAAP profit. Both changes were implemented after receiving suggestions in my discussions with investors. Our aim is not just to disclose information in a way that is easy to understand but also to share management issues with our stakeholders and use this to improve the quality of management within the Company. I will continue to actively engage in dialogue and discussion with our stakeholders and will work to improve NEC’s corporate value while sincerely taking on board the content of these discussions. I would like to ask for your continued support and honest feedback.

# Business Strategy

## IT Services

### Business Overview

Advances in technology have led to growing expectations and demand for ICT systems to play a role in resolving the problems faced by society and businesses, rather than simply being a tool for improving efficiency. Companies are working to reform their business models and implement data-driven management, while government and public organizations are making efforts to digitize administration to improve user convenience and streamline operations. NEC has been installing mission-critical systems for a large base of customers, mainly in Japan, for many years. In addition to our long-cultivated system development capabilities and knowledge of our customers' industries and operations, we also utilize the latest technologies in AI, security, and networks to provide optimal solutions for our customers.

In addition, our overseas IT services business is centered on the digital government / digital finance domains. Building on the customer bases and software of the three European companies we acquired between 2018 and 2020, we aim to promote the autonomous growth of each company while expanding regional development by leveraging NEC's sales and support systems in Japan and elsewhere in Asia.

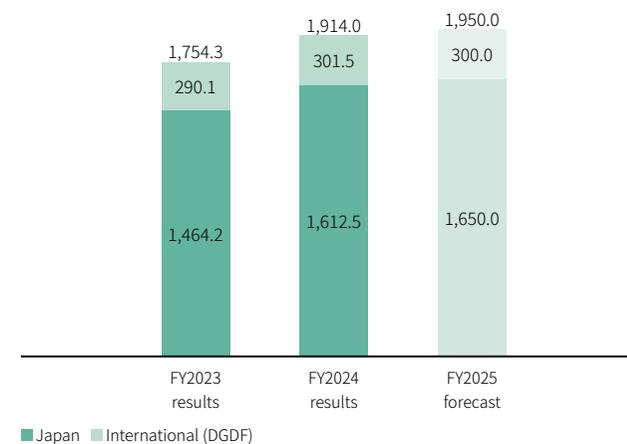
### Initiatives and Progress under Mid-term Management Plan 2025

In Japan, the IT services business has made steady progress by capturing the strong demand for DX, and we foresee continued growth. Demand for modernization (replacement) is particularly strong and growing in areas where NEC can make full use of the know-how it has amassed to date. In addition, we have also made solid progress in improving profitability, which is a key issue under Mid-term Management Plan 2025, by implementing measures such as the system integration model reform and strengthening of risk management through NEC BluStellar. We have also been working to meet strong demand for human resources by aiming to secure more than 10,000 DX specialists by fiscal 2026, and already achieved this goal ahead of schedule at the end of fiscal 2024. Starting in fiscal 2025, we have been further strengthening our efforts by introducing a job-based human resource management system among other measures, and by securing engineering resources across the NEC Group.

Abroad, it is taking longer than initially expected to expand synergies with the three European companies. Meanwhile, Avaloq Group AG's software business in the DF domain is seeing progress in the Asia-Pacific region by utilizing NEC's sales channels and is also expanding to customers in Japan. We expect to see profitability improve at an accelerated pace going forward, as steady progress is being made in reducing development costs through the sharing of offshore resources, implementing portfolio transformation such as the sale of KMD Holding A/S' low-profit business, and launching Avaloq's software as a service (SaaS) model.

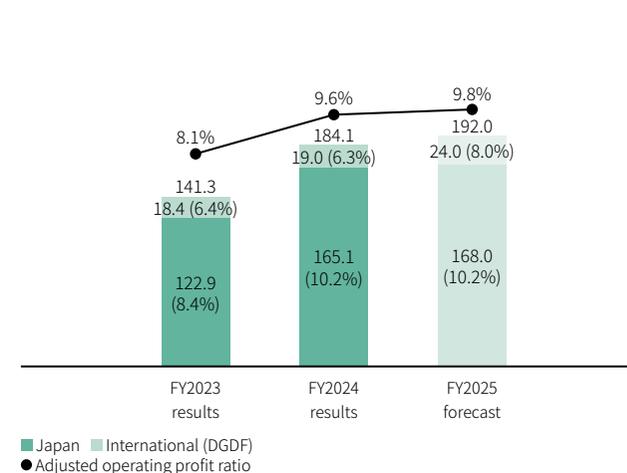
### Revenue

(Billions of yen)



### Adjusted Operating Profit

(Billions of yen)



For details on the initiatives and progress of Mid-term Management Plan 2025, please refer to [the NEC IR Day materials](#).

Business Strategy

IT Services in Japan

**Strengths**

- Customer base, industry, and business know-how cultivated over many years
- Systems and resources that can consistently meet customers' DX needs from upstream consulting to implementation, operation, and maintenance
- A wealth of use cases:  
Proven track record in mission-critical system operation, as well as leading-edge DX cases that NEC has implemented and amassed by using itself as a testing ground
- An abundance of DX talent:  
More than 10,000 DX specialists  
Training programs aimed at increasing the number of DX specialists

**Strategy**

**Consistent Value Creation from Consulting through to Building and Operation**

As the scope of ICT applications expands, the need to view their use from a management perspective is becoming increasingly important. At the same time, there are many cases where, despite having formulated an articulate vision, the actual system introduction and practical application stages do not go smoothly. Together with ABeam Consulting Ltd., a company that boasts some of the best consulting resources in Japan, NEC provides consistent value based on its proven track record and collaboration between engineers. We are also working to create model cases for DX by forming strategic partnerships with leading companies in various industries.

**Business Model Reform via Common Platforms**

Products, services, and assets that were previously developed in an individually optimized manner for each industry and customer have now been developed and systemized as NEC BluStellar, a common platform in the form of a menu of services based on NEC's own technologies and expertise. This not only enables greater speed but also contributes to improving both the efficiency of service deliveries and profitability through a business model shift to a value-pricing method.

**Contributions toward the Digitalization of Government**

NEC will leverage its years of experience and know-how to standardize and streamline public administration services, improve convenience for the public, provide a digital infrastructure, and help to expand the use of Japan's Individual Number System (My Number Card). In the digitalization of government, both a high level of security quality is required, as well as speed, flexibility, and productivity for the implementation of systems, and we will ensure an optimum balance of such factors in compliance with government guidelines. In Denmark, a country at the forefront of government digitalization, NEC is working with KMD, a company that has supported such efforts, and is actively proposing solutions based on KMD's expertise in breaking down the digital divide and resolving digitalization issues.

**Seizing of New Business Opportunities**

We are working to seize IT-based business opportunities that have become viable as a result of technological advances. Specifically, we will lead social change through new solutions for social issues, using cutting-edge AI and network technologies in areas such as smart city projects aimed at realizing the Digital Garden City National Concept, and mobility projects that coordinate transportation infrastructure and mobility to realize a safe and secure transportation society.

**NEC BluStellar: NEC's Value Creation Model**

(in Japanese only)

**NEC BluStellar**

Leveraging NEC's advanced knowledge across industries backed by a proven track record and cutting-edge technology honed through years of development and operation, NEC BluStellar is a business brand that creates value to lead customers into the future by realizing business model innovation and resolving social and customer management issues.

Business Strategy

**Digital Government / Digital Finance**

**Strengths**

- Customer base of the three acquired companies and the knowledge gained from their respective track records of delivering results
  - NEC Software Solutions UK Limited (SWS): Provides tax collection and social security benefit systems for 45% of local governments in the United Kingdom
  - KMD Holding A/S (KMD): Over 50% market share in administrative solutions for local governments in Denmark, which is at the forefront of the digitalization of government
  - Avaloq Group AG: Top market share in Europe and second in the Asia-Pacific region for core banking systems for wealth management
- AI and biometric authentication technology for realizing advanced solutions

**Strategy**

**Geographical Expansion of Business Areas**

We will be rolling out the software of SWS and KMD, which have a strong track record of delivering results in the United Kingdom and Denmark—two digitally advanced countries—and the expertise in promoting government digitalization, to the Asia-Pacific region and Japan, where NEC has selling power. We will also accelerate sales in the Japanese market and beyond by expanding the value provided through Avaloq’s innovative solutions in the wealth management domain and its strategic partnership with BlackRock, Inc.

**Business Portfolio Transformation**

We aim to improve profitability by focusing more closely on the software businesses of the three European companies and promoting a shift to an SaaS model. We will also continue to work on carve-outs of low-profit businesses, as well as bolt-on M&As to expand our business domains and customer base.

**Improvements in Development and Operational Efficiency**

We will pursue cost synergies by engaging in procurement across the NEC Group as a whole. We also aim to improve productivity and sharpen our competitive edge through the mutual utilization of assets, such as through offshore development systems.

**The Three European Companies**

NEC Software Solutions UK Limited (SWS)

KMD Holding A/S (KMD)

Avaloq Group AG



NEC Software Solutions UK



An NEC Company



An NEC Company

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.

KMD is Denmark’s largest IT company with a strong customer base in the government and municipal sectors and wide-ranging platforms, which it has leveraged to support digitalization of the Danish government.

The Swiss software company Avaloq primarily engages in recurring business from the provision of software to financial institutions via an SaaS business model. The company holds the top market share in Europe and ranks second in the Asia-Pacific region.

Acquired in 2018

Acquired in 2019

Acquired in 2020

## Social Infrastructure

### Business Overview

NEC has long been contributing to society through its Social Infrastructure business utilizing cutting-edge technology.

We have been involved in the telecom services industry since our founding, and in addition to providing infrastructure such as fixed-line and wireless telecommunications equipment and submarine cables for telecommunications carriers, we also provide a wide range of services, including facility management and billing management software that is necessary for telecommunications carrier operations. In recent years, network connections have gone beyond the scope of smartphones and computers to include a variety of sensors, home appliances, automobiles, medical devices, and other items, and are truly underpinning the foundation of today's digital society. In addition, as network traffic increases, the environmental impact of the increased power consumption of telecommunications equipment is becoming an issue that must be addressed, and we are working on solutions to ensure that telecommunications carriers can operate their businesses efficiently and flexibly.

Utilizing IT systems, sensors, and network technologies, the Aerospace and National Security (ANS) business provides equipment and systems, primarily to government agencies, in the ANS domains. Specifically, we provide satellites and ground systems for controlling them, as well as radar equipment, and secure communications equipment. In recent years, there has been growing optimism about the use of new technologies in interdisciplinary fields, such as the use of space data, for example, using data collected from satellites to monitor disasters and reduce damage, such as through rapid recovery and relief activities, and the construction of optical networks in space that connect satellites.

Leveraging the advanced technological capabilities we have amassed to date, we will contribute to resolving issues through a wider range of applications in both the private and public sectors.

### Initiatives and Progress under Mid-Term Management Plan 2025

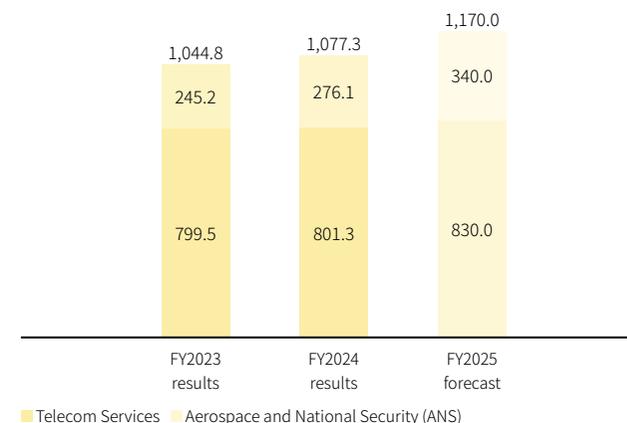
In the Telecom Services business, we have positioned the global 5G business, including in Japan, as a growth business under Mid-term Management Plan 2025. Investment from telecommunications carriers in 5G has fallen short of initial expectations. As such, starting in fiscal 2024, we promoted a shift in our operations to prioritize profitability by reducing upfront costs for overseas expansion. We will shift to virtualized base stations (vRAN), which are expected to expand in popularity in the coming years, and will also leverage partnerships such as that with OREX SAI, INC. to develop our business as a more efficient and profitable business model.

In the ANS business, medium- to long-term demand is increasing more than initially expected when Mid-term Management Plan 2025 was formulated, due to an increase in the government's defense budget in accordance with Japan's Medium-Term National Defense Program and the integration of space policy and national security policy. Leveraging the advanced technological capabilities we have cultivated to date, we will firmly seize new business opportunities and link them to businesses expansion.

🌐 For details on the initiatives and progress of Mid-term Management Plan 2025, please refer to [the NEC IR Day materials](#).

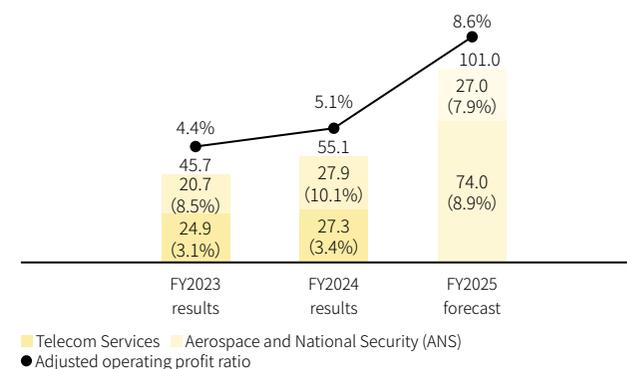
### Revenue

(Billions of yen)



### Adjusted Operating Profit

(Billions of yen)



Business Strategy

**Telecom Services**

**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, advanced optical communications technologies in submarine cables, software such as OSS/BSS

**Strategy**

**Transition to High-Value-Added Business Centered on the Software Domain**

Amid the ongoing downward trend in investment from telecommunications carriers, we will respond to growing expectations for new technologies by shifting to open mobile communications networks and making them more software-based to achieve efficient and flexible network operations. To do so, we will focus on the following areas as we develop DX solutions for telecommunications companies.

- **Virtualization of telecom functions:** By providing vRAN, which delivers base station functionality through software on commodity platforms (on-premise, cloud) rather than dedicated hardware, it is possible to achieve flexible and rapid service changes and improve fault tolerance.
- **Advancing operational support through AI:** By incorporating AI into OSS previously provided by Netcracker Technology Corporation, we will achieve efficient management of network systems, which are becoming more complex due to factors such as the shift to open systems, and promote DX for telecommunications carriers. As the virtualization of base stations continues, system compatibility will increase even further.

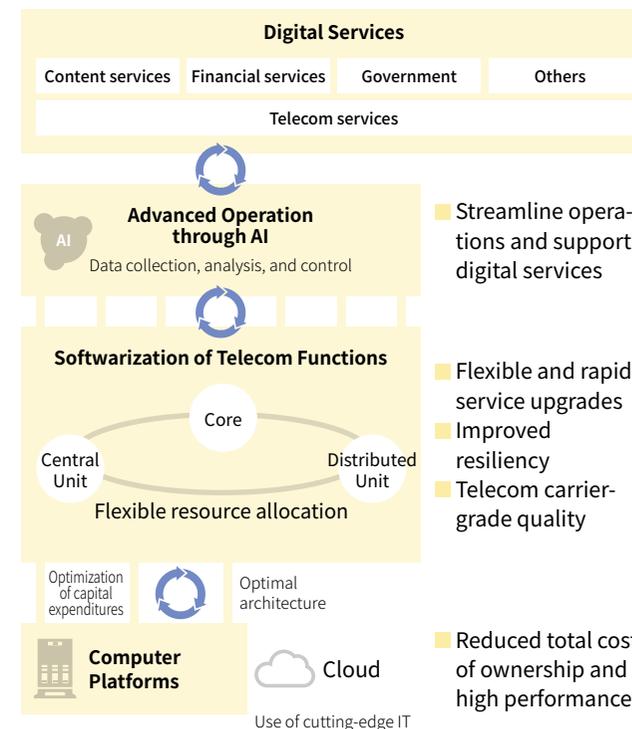
**Initiatives to Realize Future Networks**

Toward the realization of our Beyond 5G vision and the Innovative Optical and Wireless Network (IOWN) concept, we aim to expand our business on a global scale by advancing our business alliance with NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) and increase international competitiveness through joint development and research of products and technologies that will create new value. At the same time, we will contribute to the realization of carbon neutrality in the telecommunications industry as a whole through power efficiency and renewable energy solutions.

**Seizing Business Opportunities in the Area of Submarine Cables**

The market for submarine cables as international communication lines to handle increasing global data traffic is growing, and investment by global service providers in addition to traditional telecommunications carriers is increasing. The Company will seize business opportunities by differentiating itself from competitors through advanced optical communications technology and its strong presence in the Asia-Pacific region.

**DX Solutions Aimed at Telecommunications Carriers**



Business Strategy

**Aerospace and National Security**

**Strengths**

- Track record in mission-critical system operation
- Technological capabilities cultivated over many years, covering all areas, from the ocean floor to outer space; world-leading biometric authentication, AI, and cybersecurity technologies
- Consistent business structure from in-house development through to manufacturing, implementation operation, and maintenance

**Strategy**

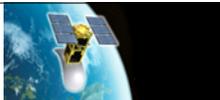
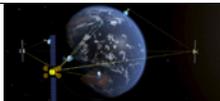
**Realizing a Safe and Secure Society by Making Extensive Use of AI from Outer Space to the Ocean Floor**

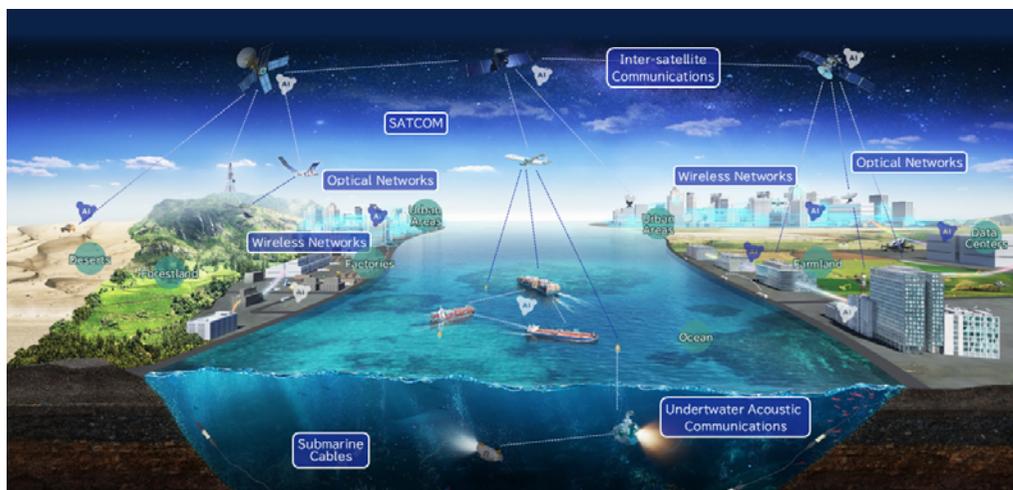
We aim to further advance our long-cultivated individual technologies, such as radio wave sensing, sound wave sensing, and covert communications. We will also work to build a next-generation telecommunications infrastructure in the converging fields of national security, outer space, and telecommunications, including an optical network in outer space.

**New Applications for Data Obtained from Outer Space**

We aim to provide solutions that utilize data acquired from satellites for a wider range of applications in both the public and private sectors, such as rapid recovery and disaster mitigation through the monitoring of disasters.

**Examples of Achievements**

	Aerospace	National Security
<b>IT systems</b>	 Air traffic control systems	 Command and control systems
<b>Sensors</b>	 Satellites	Warning and control radars
<b>Networks</b>	 Optical communications systems	Field communication systems



**NEC's Vision for the Social Infrastructure Business**

NEC has a wealth of knowledge and strong technological capabilities in the telecommunications industry, including large-scale network systems that form countries' national telecommunications infrastructures and submarine cables that connect the world, as well as in the field of aerospace and national security, including dedicated defense networks that can be drawn upon in times of disaster, optical communications technology that utilizes submarine cables, and underwater acoustic communications. We create and provide new social value by combining these strengths. We also aim to achieve network architecture that utilizes outer space, which we believe will change the world by enabling information to be shared in real time by anyone, anywhere, even in areas with few base stations or in mountainous regions.

# Financial Strategy

Mid-term Management Plan 2025 is driven by a fundamental policy in which we continuously improve our ability to generate cash from our business activities by maximizing long-term profit and optimizing short-term profit, and enhance corporate value through active investment.

## Free Cash Flows

In fiscal 2024, free cash flows totaled ¥195.2 billion, a year-on-year increase of ¥92.7 billion. Cash flows from operating activities increased ¥18 billion due to a rise in adjusted operating profit, and working capital saw a year-on-year increase of ¥119.1 billion, due to the receipt of advance payments for large-scale projects and the collection of accounts receivable accumulated at the end of fiscal 2023, in addition to the

approximately ¥101.0 gained from reducing inventories that had been strategically built up through the end of fiscal 2023. Meanwhile, cash flows from investing activities increased ¥26.4 billion due to a reactionary decrease in asset sales in fiscal 2023 and investment in data centers.

## Activities for Shortening Our Cash Conversion Cycle

Our cash conversion cycle (CCC), which we have been working to shorten since the previous mid-term management plan to improve asset efficiency, lengthened in fiscal 2022 due to factors such as the strategic buildup of inventories to cope with component shortages, but by reducing these inventories through the end of fiscal 2024, we shortened the cycle by three days from the end of the previous fiscal year to 67 days.

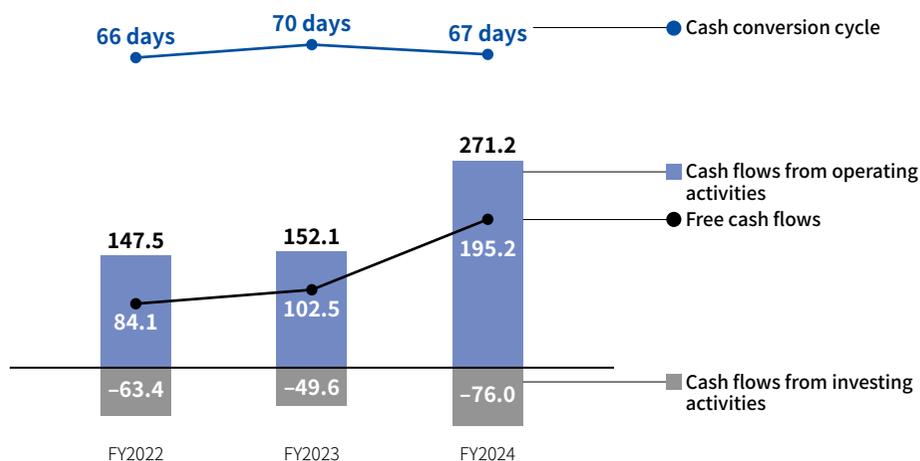
## Cross-Shareholdings

In April 2020, we set guidelines for eliminating cross-shareholdings. All cross-shareholdings possessed by NEC are subject to comprehensive annual review by the Board of Directors, in which the Board clarifies the strategic value of each holding and considers returns in terms of capital cost and other perspectives. If the Board accepts the rationale for a holding, it is kept; if not, it is sold. We have reduced our cross-shareholdings in listed companies (excluding deemed holdings) from 108 at the end of fiscal 2020 to 27 at the end of fiscal 2024. For the remaining 27 cross-shareholdings, including those which we have already agreed to sell, we have achieved a reduction of roughly 80% in terms of the number of cross-shareholdings, and we will continue our efforts in this regard. In January 2024, the Company sold its shares in

## Free Cash Flows

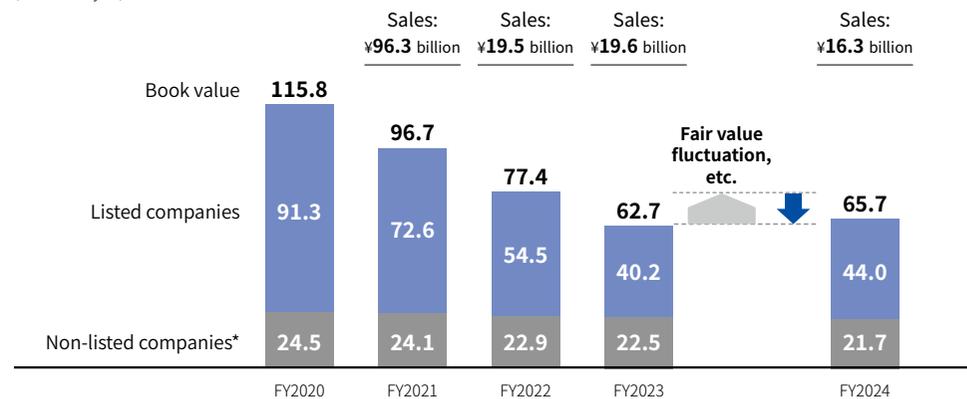
(Billions of yen)

### Significant Increase in Working Capital Due to Inventory Reduction



## Sales of Investment Securities (excluding deemed holdings)

(Billions of yen)



	FY2020	FY2021	FY2022	FY2023	FY2024
Number of cross-shareholdings (listed companies)	108	63	52	33	27
Non-listed companies	206	193	176	137	113

\* Excluding alliance companies

Financial Strategy

Renesas Electronics Corporation, which were deemed holdings that had accounted for the largest proportion of its holdings of shares in other companies, for ¥174.9 billion. As for non-listed stocks, there are some that will take time to eliminate due to the circumstances that surrounded them from the time of investment, but we have reduced holdings in unlisted companies from 206 at the end of fiscal 2020 to 113 at the end of fiscal 2024. In addition to cross-shareholdings, the Board also assesses the significance of continuing to hold real estate and other assets and actively promotes the conversion of such holdings into cash.

**Capital Allocation**

Our basic policy on capital allocation under Mid-term Management Plan 2025 remains unchanged, as we continue

to place the highest priority on growth investments while maintaining financial soundness. We will continue to explore investment opportunities in growth areas to enhance our corporate value, and to date, we have conducted a total of ¥35 billion in bolt-on M&As to strengthen the business portfolios of the three European DGDF companies acquired under the previous plan. Taking into consideration our current financial situation, we are looking to invest a total of ¥500 billion in future growth, while maintaining our current rating level.

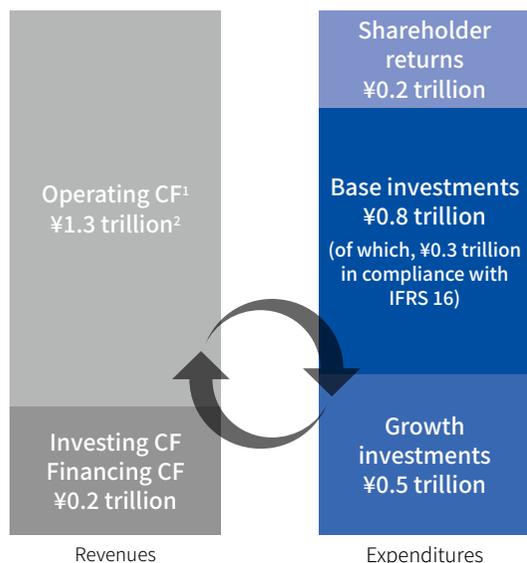
In addition, we intend to steadily increase dividends, planning full-year dividends of ¥140 per share for fiscal 2025 and ¥160 per share for fiscal 2026, the final year of Mid-term Management Plan 2025, in line with the projected increase in profit levels.

We will make decisions on the purchase of treasury stock in a flexible manner, taking into consideration the level of surplus funds and other factors.

**Capital Cost-Conscious Management**

We are aware that the markets assume NEC's WACC to be around 6.5%, and if we meet the goals of Mid-term Management Plan 2025, ROIC is expected to be 6.5% in the case of M&As, and 7.0% without M&As. We recognize that our WACC should exceed the level expected by the market and will manage it in a way that is consistent with the competitive landscape and our business strategy so that we can achieve even higher levels in the future.

**Profit Cycle and Capital Allocation**



1 CF = Cash flow  
2 FY2022–FY2026 total

**ROIC**

FY2021 result	FY2022 result	FY2023 result	FY2024 result	FY2025 (forecast as of April 26, 2024)	FY2026 target
4.7%	3.9%	4.7%	5.0%	5.9%	6.5% In the case of M&As
					7.0% In the case of no M&As

# Innovation: R&D and Business Development

Since its founding, NEC has developed a variety of proprietary technologies in the area of ICT to support social infrastructure and mission-critical systems. We believe that a key component to realizing the NEC 2030VISION in a so-called VUCA<sup>1</sup> world is working toward R&D co-creation, expanding open innovation, and venturing into new domains to create businesses that can impact society.

<sup>1</sup> VUCA: Volatile, Uncertain, Complex, and Ambiguous

## NEC's Technological Capabilities

NEC possesses many of the world's leading technologies in the fields of AI (biometrics, image recognition, and analysis/prescription AI), telecommunications, and security. These technologies are NEC's greatest differentiating factor. As proof of this, we boast one of the world's highest numbers of patents held and papers accepted by leading international academic conferences. In particular, in the field of facial authentication, we have been ranked No. 1 in benchmark testing multiple times<sup>2</sup>. These advanced technological capabilities are key assets that will lead to NEC's future growth.

<sup>2</sup> Ranked No. 1 multiple times in facial authentication benchmark testing held by the U.S. National Institute of Standards and Technology (NIST) <https://www.nec.com/en/global/solutions/biometrics/index.html>

Note: NIST testing results do not constitute an endorsement by the U.S. government of any particular system, product, service, or company.

## Approach to R&D Investment

We allocate approximately 4% of revenue to R&D in order to maintain and improve our R&D capabilities over the medium to long term, independent of any external trends.

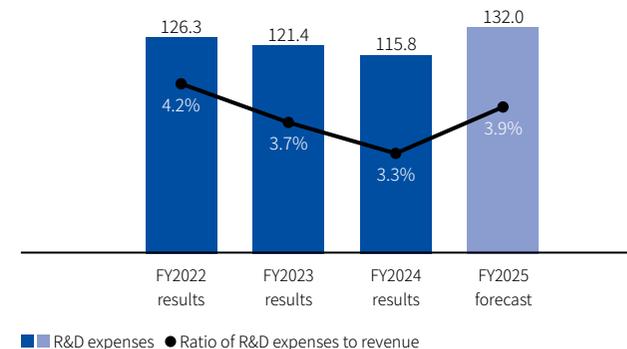
Our R&D efforts are focused on basic research, which creates functions from knowledge, and applied research, which creates customer value from functions.

In basic research, we have defined six core technology areas—Recognition AI, analytical AI, control AI, security, networking, and system platforms—and are working to create new functions and bring about overwhelming innovation in existing functions.

In applied research, we are engaged in efforts to embody functions realized in fundamental research as new value delivered to customers and society.

## Ratio of R&D Expenses to Revenue

(Billions of yen)



<b>AI (including biometrics)</b>	<ul style="list-style-type: none"> <li>Machine learning: Number of papers accepted by leading international academic conferences<sup>3</sup>: <b>Ranked 10th in the world</b></li> <li>Video and image processing: Number of papers accepted by leading international academic conferences<sup>4</sup>: <b>No. 1 in Japan</b></li> </ul>	<p> For third-party evaluations of NEC biometric authentication, Please visit the website below. <a href="https://www.nec.com/en/global/solutions/biometrics/index.html">https://www.nec.com/en/global/solutions/biometrics/index.html</a></p>
<b>Communication</b>	<ul style="list-style-type: none"> <li>Optical communication: Acceptance of papers by leading international academic conferences<sup>5</sup> for <b>46 consecutive years</b></li> </ul>	
<b>Security</b>	<ul style="list-style-type: none"> <li>Receipt of IPSJ Yamashita SIG Research Award for Cyber Security, Computer Security Symposium 2021 (CSS 2021), and <b>numerous other awards<sup>6</sup> for research papers</b></li> </ul>	
<b>Patents</b>	<ul style="list-style-type: none"> <li>Top 100 Global Innovators global survey of patent activities<sup>7</sup>: <b>Selected for 13 consecutive years</b></li> <li>Biometric authentication, video analytics, and analysis/prescription AI: Number of international patent applications<sup>8</sup>: <b>No. 1 in the world</b></li> </ul>	

<sup>3</sup> NeurIPS, ICML, KDD, ECML-PKDD, ICDM <sup>4</sup> CVPR, ICCV, ECCV, ACCV, ICPR <sup>5</sup> Communication: OFC/ECOC <sup>6</sup> Security: ACM, CCS, Eurocrypt, IEEE S&P, etc. <sup>7</sup> Top 100 Global Innovators: <https://clarivate.com/top-100-innovators/> <sup>8</sup> Number of international patent applications: Cumulative number of applications as of November 2023 (NEC Corporation)

Innovation: R&D and Business Development

### Converting R&D Results into Social Value

To quickly connect technologies accumulated through R&D to the resolution of social issues and the creation of other new social value, NEC is engaged in the following three approaches.

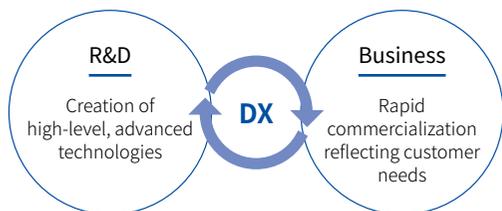
1. Provision of new value leveraging existing businesses
2. Utilization of intellectual property to contribute to business
3. Creation of new businesses as the next pillars of growth

#### 1. Provision of New Value Leveraging Existing Businesses

To convert cutting-edge technologies into social value, it is important to incorporate them into society as quickly as possible. At NEC, we are making efforts to more quickly reflect customer needs and achieve product commercialization through the establishment of a seamless system of collaboration with the business side from the R&D stage onward.

We are working to quickly provide customers with solutions based on numerous NEC technologies by incorporating them into NEC BluStellar's offering menu. This enables us to make optimal proposals using leading-edge technology to give us a competitive advantage, and also leads to improved profitability through the repeatable provision of services.

In addition, to contribute to the advancement of infrastructure for realizing a safe and secure society, we are working on the development of advanced technologies such as next-generation high-speed, high-capacity telecommunications, quantum cryptography, and integrated networks in space, while discussing and sharing future concepts with the relevant government agencies and companies.



#### 2. Utilization of Intellectual Property to Contribute to Business

##### Intellectual Property Policy

NEC regards intellectual property (IP) as an important management resource that promotes business competitiveness and stability, as well as co-creation with customers and partners. To realize the NEC 2030VISION, we are contributing to the enhancement of corporate value through building broad utilization of an effective IP portfolio by concentrating resources on IP in Mid-term Management Plan 2025 growth business areas and in technology areas that will create the next pillars of growth.

In recent years, there has been an increase in opportunities for the wide-ranging use of IP in ICT, including AI and biometric authentication. In addition to the conventional uses of IP for business defense and expansion, as well as co-creation with customers and partners, we are working on a fundamental reform of the process involved in the creation, use, and framework for the promotion of IP aimed at increasing revenue through the provision of IP and IP licenses to the extent necessary.

Furthermore, NEC is strategically engaged in standardization activities with the aim of expanding business in growth areas. In particular, in important technological fields such as AI, biometric authentication, and telecommunications, NEC holds important positions such as chairman of the Japanese Industrial Standards Committee, while playing a leading role in standardization activities within and outside Japan.

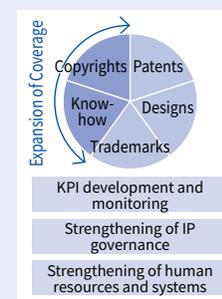
##### Promotion Framework

To build and utilize our IP portfolio on a global scale, we have appointed IP managers in business units and at Group companies, and established IP centers in North America, Europe, and China. In addition, in terms of the promotion of standardization, we have established an internal collaboration system centered on the Liaison Committee for Company-wide Standardization Activities, which is made up of members selected from across the Group, with the aim of expanding our businesses through standardization.

#### Specific Plan of Action for the Intellectual Property Management Division

- Build and update IP portfolio to achieve the goals of Mid-term Management Plan 2025, including those in relation to NEC BluStellar
  - Expand coverage of IP portfolio to include industrial know-how and copyrights in addition to patents and designs
  - Expand design and trademark rights that support global brands
  - Promote integration of IP and design (received Distinguished Service Award for Design Management from the Japan Patent Office in fiscal 2024)
- Strengthen use of IP portfolio
  - Support commercialization through external collaborations (NEC X, BIRD INITIATIVE, etc.)
  - Commercialize licensing, establish as stable source of revenue and reinvest it in the creation of social value and IP
- Establish new KPIs to manage and evaluate the creation and utilization of an effective IP portfolio. Monitor cost-effectiveness
- Strengthen global IP governance. Strengthen implementation systems and refine utilization strategies by increasing the number of global specialists, hiring attorneys and accountants, and other measures

##### Strengthening IP Portfolio and Foundation for Activities



##### Utilization of IP Portfolio



For IP-related policies and initiatives, please visit the website below.  
<https://www.nec.com/en/global/intellectual-property/index.html>

Innovation: R&D and Business Development

### 3. Creation of New Businesses as the Next Pillars of Growth

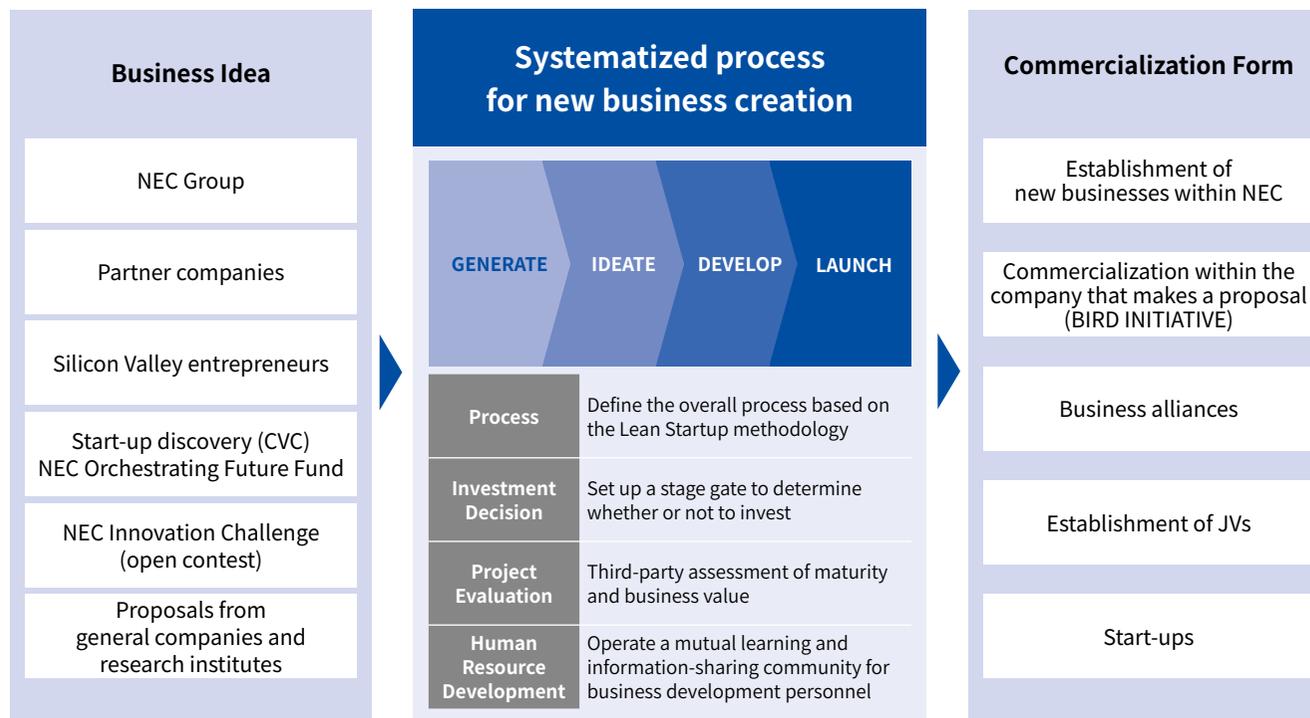
In the development of new businesses, the NEC Group will use its globally strong technologies in AI-related, healthcare and life science, and carbon neutrality-related fields to promote commercialization through collaboration with leading-edge customers and research institutions, including overseas, and by using the new business development know-how and methods that it has cultivated in recent years. The NEC Group targets the creation of ¥300.0 billion in business value by 2025 and will take on the challenge of creating business value through a variety of co-creation methods.

#### New Business Creation Management Policy

NEC's new business creation starts by gathering ideas both in-house and from global sources of wisdom, including technology seed-oriented and market-oriented proposals. We will steadily nurture new business while controlling risk, based on the new business creation process that we have systemized over five years of efforts. In addition, we are not limiting ourselves to in-house commercialization, but are also considering a variety of options based on individual characteristics, such as in-house commercialization and the establishment of start-ups and joint ventures (JVs) with external partners.

🌐 For details on initiatives for developing new businesses, please visit the website below (in Japanese only).  
<https://jpn.nec.com/innovation/index.html>

#### NEC Business Innovation Process



Innovation: R&D and Business Development

**Examples of New Business Creation Initiatives**

**Healthcare and Life Science Businesses** 🌐

NEC is developing the following businesses based on strengths in AI technologies.

- Electronic medical records and hospital DX Supporting hospital management efficiency and improved medical quality through the use of generative AI to create medical documentation, etc.
- Health promotion and medical test service (FonesVisuas) Measuring various proteins from a small amount of blood, and visualizing disease risk and health status using AI and big data analytics technologies
- AI drug development Developing vaccines utilizing cutting-edge AI technology, spanning the biomedical science and ICT domains, with a focus on personalized cancer vaccines (Examples: Personalized cancer vaccines, universal vaccines design that utilizes AI, etc.)

**AI Farm Management (Agriculture)** 🌐

Using soil moisture data and satellite image data, this system visualizes field conditions necessary for farming, and provides farming advice and harvest control using AI to achieve optimization.

- Kagome Co., Ltd. and NEC established DXAS Agricultural Technology, a company that uses AI to provide farming support for processed tomatoes, in Portugal

**Green / Carbon Neutrality-related Business** 🌐

Strengthening and expanding resource aggregation businesses that match surplus electricity generated from renewable energy sources in the market and achieve efficiency and optimization

**dotData, Inc.** 🌐

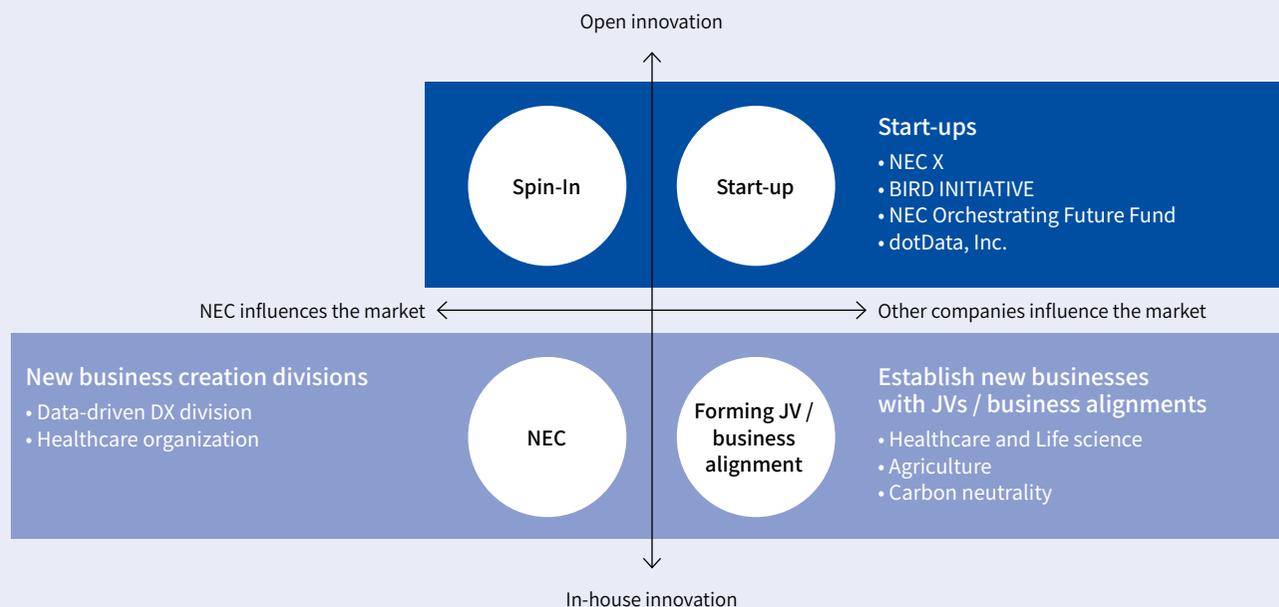
- dotData was founded and promoted by a leading NEC researcher.
- Using AI technologies, dotData automates data analysis processes that would otherwise take an extremely long time to complete manually, thereby shortening the time required and helping to achieve DX promotion as quickly as possible.
- Completed Series B financing in spring 2022 (\$74.6 million in total)

**BIRD INITIATIVE, Inc.** 🌐

- Seven companies, including NEC, a business company, a financial company, and academia, have invested in this collaborative R&D project.
- BIRD INITIATIVE creates innovation by combining the technologies, assets, and human resources of large corporations with external capital, human resources, and cutting-edge IT, accompanying clients as an innovation partner and providing consistent services, from applied research to business launch.

**NEC X, Inc.** 🌐

- Established in California to accelerate new business development based on the strength of NEC's R&D in collaboration with the Silicon Valley start-up ecosystem



Innovation: R&D and Business Development

### Generative AI Development and Commercialization

In recent years, there has been increasing attention paid to generative AI as an innovative technology. In July 2023, NEC announced its own generative AI, and in December it began commercial deployment as “cotomi.” This large language model (LLM), which forms the foundation of generative AI, has world-class Japanese language processing performance, and is unique in that it can be customized to meet individual business needs by having it learn from company-specific data.

- Merits of NEC’s Generative AI**
- **High speed**  
Ingenuously designed and offering high-speed performance, cotomi is also suitable for business system integration
  - **High accuracy**  
Advanced learning facilitates highly accurate inferences in a variety of tasks
  - **Various delivery formats**  
Utilizing flexible delivery formats, cotomi is able to provide a secure, highly convenient environment

This development was made possible by the utilization of one of Japan’s largest supercomputers for AI research, built some time ago, and by the technological capabilities that NEC has inherited and accumulated over half a century of AI research.

For this generative AI to create social value, it must be utilized in actual business and research settings and facilitate improved productivity and other outcomes. We launched an organization comprising generative AI experts, to provide comprehensive customer support on everything from consulting to system construction, and even human resource training. Through seamless collaboration between R&D and business promotion teams, we are accelerating the commercialization and practical application of generative AI research results.

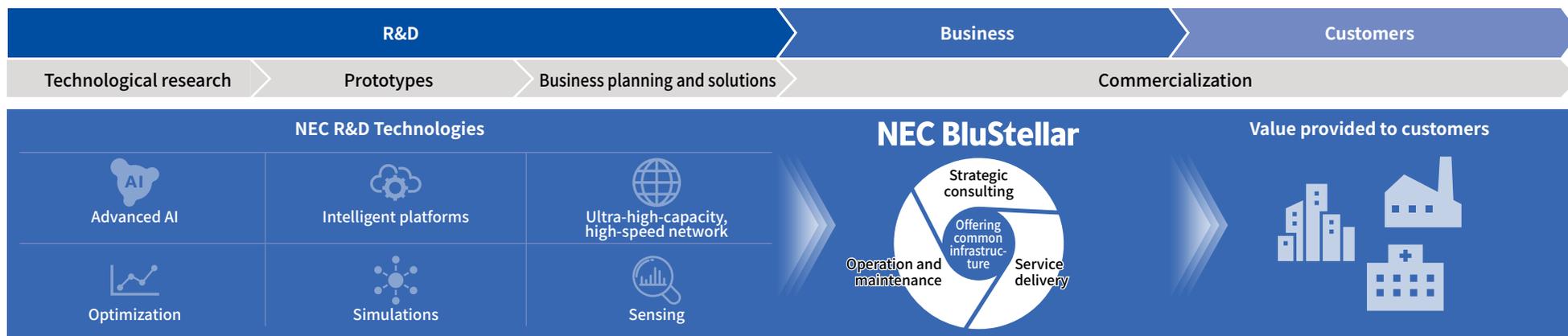
We have also launched a customer program in which we work with companies, universities, and other organizations to come up with helpful ways to incorporate AI while actually using it. At present, we are working with 15 companies and organizations to build LLMs specialized for each industry and



business, which learns from their business data and knowledge bases, to pursue improved productivity and other actual benefits of implementation. As a result of these efforts, there are now cases of individual companies and local governments utilizing and demonstrating this technology.

We have also commenced sales of an electronic medical record system incorporating functions that use generative AI to assist in the creation of medical records and documents.

🌐 Please visit the website below for examples of NEC generative AI cotomi utilization (in Japanese only).  
<https://jpn.nec.com/LLM/index.html#anc-nav06>



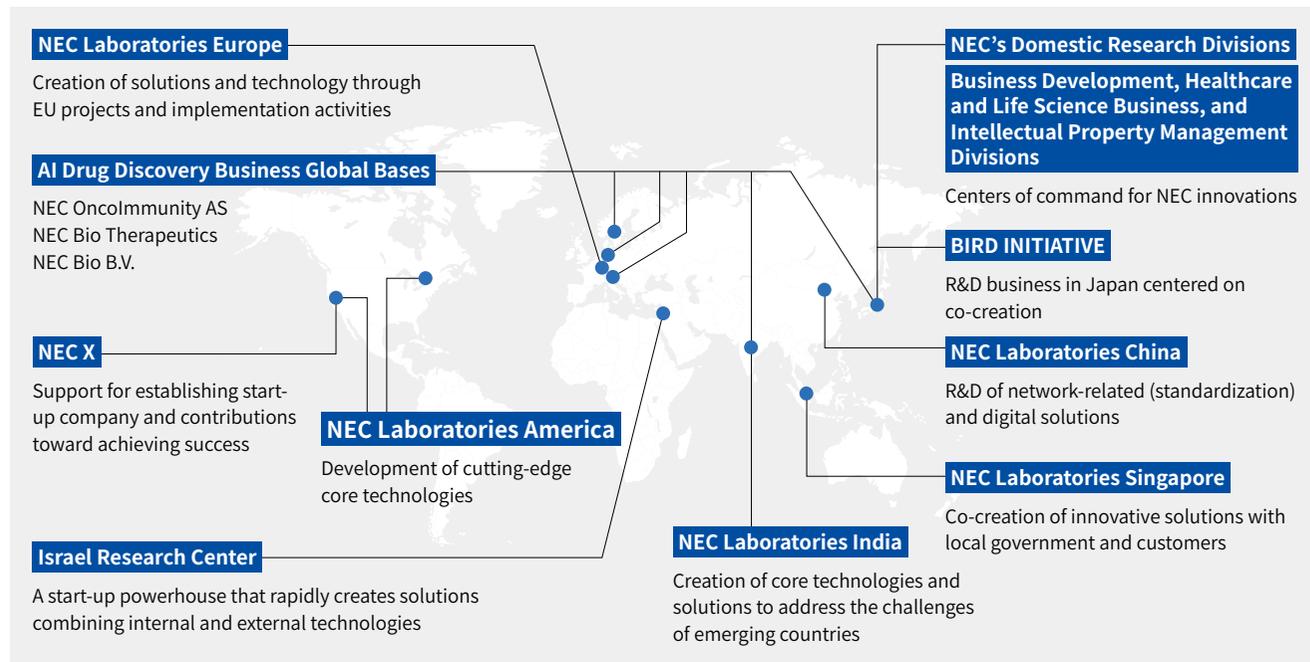
Innovation: R&D and Business Development

### Developing People and Environments to Drive Innovation

NEC believes that the power of human resources is essential to creating innovation. We attract excellent human resources from all over the world, and approximately 40% of our researchers are global specialists.

In addition to researchers, specialist human resources in new business development and IP are critical for the provision and implementation of technological innovations as a social value. We are working to expand our pool of specialized talent in each area through external recruitment and internal training, while also promoting stronger collaborations between each function. We are also working to improve the R&D environment so that the talented human resources we have gathered can fully demonstrate their abilities. As an example, NEC has the largest supercomputer for AI research of any company in Japan, which has enabled us to quickly develop an LLM that serves as the foundation for generative AI offering excellent Japanese language processing capabilities.

### Leveraging Global Strengths to Increase R&D and Business Development Opportunities



\* NEC and the Tokyo Institute of Technology established the NEC R&D Doctor's Pass system to support doctoral students. <https://www.nec.com/en/global/rd/lablife/system/doctors-p.html>

# Human Resource Strategy: NEC, for Those Who Seek Challenge

## NEC’s Approach to Human Capital Management

Viewing people as its greatest management resource, NEC has been promoting investment in order to maximize the capabilities of its people and organization through system and environmental transformation. To be an employer of choice that is always the preferred option not only of market and customers but also of workers, we have been transforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow as well as receive fair and honest recognition. Moreover, we are working to change our environment and culture so that employees who are up to the challenge can do their best. The aforementioned transformations are based on our Human Resources Policy, “NEC, for those who seek challenge,” established in 2019.

It is people who carry out our business and work to realize our Purpose, and we believe that a strong culture that supports highly motivated personnel is essential. Accordingly, Mid-term Management Plan 2025 includes the employment engagement score as an indicator of corporate culture.

We will strive to realize our Purpose by nurturing human resources who have the passion and ambition to create new businesses, and who are able to go beyond boundaries to take on new challenges and carry them through to the end, while fostering an organizational environment and culture that will enable us to achieve our goals.

## Transformation of People and Culture

To achieve the target employee engagement score of 50% set forth in Mid-term Management Plan 2025, NEC conducted its own cause-and-effect analysis in relation to the employee engagement survey and identified three key themes: Employee awareness of Company-wide policies and strategies; evaluation, compensation, promotion, and career growth; and work styles and mental and physical condition.

In fiscal 2024, we strengthened the communication infrastructure that facilitates the dissemination of Company-wide policies and strategies, revised our compensation system as part of our gradual transition to job-based human resource management and developed systems and mechanisms to

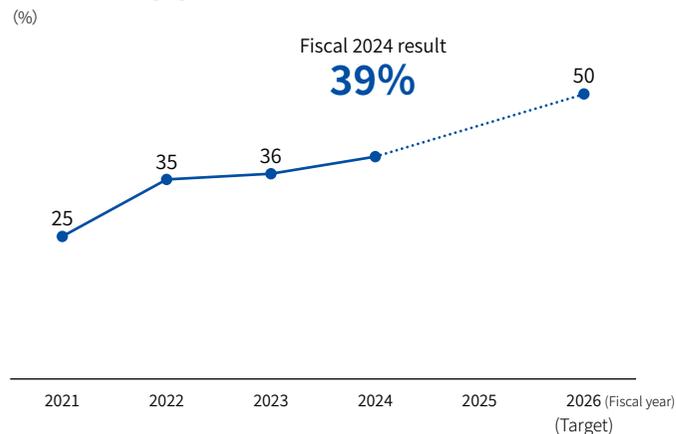
realize the well-being and growth of our employees. As a result, we were able to confirm that undertaking measures based on the three key themes were effective in improving the employee engagement score.

In fiscal 2025, we will further strengthen our communication infrastructure, foster a culture of career autonomy and proactive learning, and continue to update our work styles to accelerate the enhancement of management execution and employee engagement.

Starting in fiscal 2024, we have been measuring our employee engagement score using a quarterly pulse survey in addition to the annual OneNEC survey. This has enabled us to obtain timely feedback from employees on our initiatives and to ascertain the effectiveness of our measures. We aim to implement measures based on employee feedback to an unprecedented degree based on the abovementioned three key themes.

🌐 For the latest information on NEC’s human capital management initiatives, please refer to the presentation materials from our ESG Day, which can be found on the website below.  
[https://www.nec.com/en/global/ir/pdf/library/240315/240315\\_02.pdf](https://www.nec.com/en/global/ir/pdf/library/240315/240315_02.pdf)

## Employee Engagement Score\*



\* In a survey conducted by global HR consulting company Kincentric; a score of 50% is roughly within the global top 25 percentile and is classed as Tier 1 level.

## Key Themes and Summary of Fiscal 2024 Results

	Employee awareness of Company-wide policies and strategies	Evaluation, compensation, promotion, and career growth		Work styles and mental and physical condition		
	Activities for communicating and spreading awareness of the Company’s direction so that employees can understand and embrace it and take pride in their work	Establishment of appropriate systems and processes that give employees hope for the future and lead to higher motivation		Creation of environments in which employees can continue to work productively in good physical and mental health		
Survey Category	Senior management	Human resource utilization and allocation	Career growth and self-development	Teamwork	Delegation of authority and level of autonomy	Decision-making
Score (compared to the fiscal 2023 OneNEC survey)	<b>+3 pt</b> <b>34%</b> (Scores are for NEC Corporation on a non-consolidated basis.)	<b>+6 pt</b> <b>22%</b>	<b>+3 pt</b> <b>31%</b>	<b>+4 pt</b> <b>46%</b>	<b>+6 pt</b> <b>51%</b>	<b>+8 pt</b> <b>26%</b>
		(Scores are for NEC Corporation on a non-consolidated basis.)				

Note: Year-on-year comparisons are conducted by comparing the OneNEC survey scores for fiscal 2023 and fiscal 2024.

## Main Initiatives in Fiscal 2025 in Relation to the Three Key Themes

### Employee awareness of Company-wide policies and strategies

- Strengthening of communication from top-level management
- Development of foundations for both horizontal and cascade communication

We are aiming to strengthen horizontal communication between different organizations, with a focus on the senior management level, while promoting the development of best practices and personnel transfers across organizational boundaries. We are also working to encourage a sense of ownership among employees of Company-wide policies and strategies through cascade communication. With this two-pronged approach, we will accelerate our efforts as a unified group.



### Evaluation, compensation, promotion, and career growth

- Implementation of a job-based human resource management system

In April 2024, we revised our job grading and compensation systems, and are now working to create an environment in which all employees can play an active role as professionals through the full-scale implementation of a job-based human resource management system. We are working continuously to strengthen our ability to execute our strategies, while also striving to build a system that puts The Right Person at the Right Job and the Right Time, and that allows Employees' Career Ownership. We are also working to build a relationship in which the Company and its employees can both choose and be chosen.

### Work styles and mental and physical condition

- Adoption of work styles that help employees achieve well-being and growth

Initiative aimed at individuals: Creation of environments that support the autonomous self-realization of employees

Initiative to increase organizational performance: Creation of environments that maximize teams' strengths and raise execution capabilities

### Project Members Tell Their Stories

#### Our Human Resources Departments: Driving NEC's Major Organizational Reforms 🌐 (in Japanese only)

Since 2018, NEC has been working on the transformation of People and Culture. This section features the stories of two employees of our human resources departments who led the reforms, explaining why NEC decided to undergo the changes, how they were achieved, and what makes working at the reformed NEC so appealing.

**Eri Ohira**  
HR Consulting Department

**Yoshiko Maruyama**  
Global HR Business Partner Department



🌐 For the latest information on NEC's human capital management initiatives, please refer to the presentation materials from our ESG Day, which can be found on the website below.  
[https://www.nec.com/en/global/ir/pdf/library/240315/240315\\_02.pdf](https://www.nec.com/en/global/ir/pdf/library/240315/240315_02.pdf)

# Environmental Initiatives: Living Harmoniously with the Earth to Secure the Future

## NEC's Environmental Initiatives

NEC engages in environmental management in order to realize a sustainable society as put forth in the NEC Way. As part of its corporate responsibility, NEC seeks to reduce the environmental impact of its activities not only in terms of climate change but also with regard to water, resource recycling, chemical substances, biodiversity, and other matters. Specifically, with regard to climate change, we have declared that we will become carbon neutral by 2040, and have publicly declared our commitment to halving CO<sub>2</sub> emissions from our entire supply chain by fiscal 2031 compared with fiscal 2021 levels.

We will also help reduce the environmental impact of our customers and society by providing environmentally friendly products and services that utilize ICT and our own unique technologies. In addition, we have established the NEC Environmental Policy and ensure that all actions of employees and corporate officers comply with this policy and engage in activities with consideration for the environment. We have received a high level of external recognition for these initiatives.

🌐 Please visit the website below to view the NEC Environmental Policy. <https://www.nec.com/en/global/sustainability/eco/policy.html>

## External Commitments

NEC takes part in the following external initiatives with the aim of building a sustainable management foundation for the Company and promoting the realization of a sustainable society through co-creation.

<p><b>SBT Net-Zero</b> (Approved April 2024)</p>		<p>Received approval from the Science Based Targets initiative (SBTi) for net-zero CO<sub>2</sub> emissions targets in April 2024 Aim to reduce Scope 1, Scope 2, and Scope 3 emissions by more than 50% by fiscal 2031 and by more than 90% by fiscal 2041 compared to fiscal 2021 levels Our first priority is to reduce these types of emissions, with the aim of achieving net-zero CO<sub>2</sub> emissions by neutralizing residual emissions, which are extremely difficult to reduce, with absorption credits.</p>
<p><b>RE100</b> (Joined in May 2021)</p>		<p>Switch to renewable energy for 100% of the electricity consumed at locations within and outside Japan by 2040</p>
<p><b>Business Ambition for 1.5°C</b> (Became a signatory in September 2021)</p>		<p>Aim to achieve net-zero greenhouse gas emissions from the entire supply chain by 2050</p>
<p><b>The Climate Pledge</b> (Became a signatory in September 2022)</p>		<p>Aim to achieve net-zero greenhouse gas emissions from the entire supply chain by 2040</p>

## External Evaluations Regarding the Environment

NEC has been named by the CDP as an “A List” company for the fifth consecutive year in the climate change and water security categories (as of fiscal 2024). For the fourth consecutive year, NEC was also selected as a CDP Supplier Engagement Leader, the highest rating given by the CDP for supplier engagement.

Note: Supplier engagement ratings are based on an assessment of a company's efforts to mitigate climate change and reduce greenhouse gas emissions throughout its supply chain.



NEC has gained approval from the SBT for its net-zero CO<sub>2</sub> emissions targets and has been named to the CDP “A List” for the fifth consecutive year.

🌐 For information on the SBT's approval of NEC's net-zero CO<sub>2</sub> emissions targets, please refer to the website below. <https://www.nec.com/en/global/sustainability/management/initiative.html>

🌐 For information on NEC's fifth consecutive year on the CDP's “A List,” please refer to the press release on the website below. [https://www.nec.com/en/press/202402/global\\_20240206\\_01.html](https://www.nec.com/en/press/202402/global_20240206_01.html)

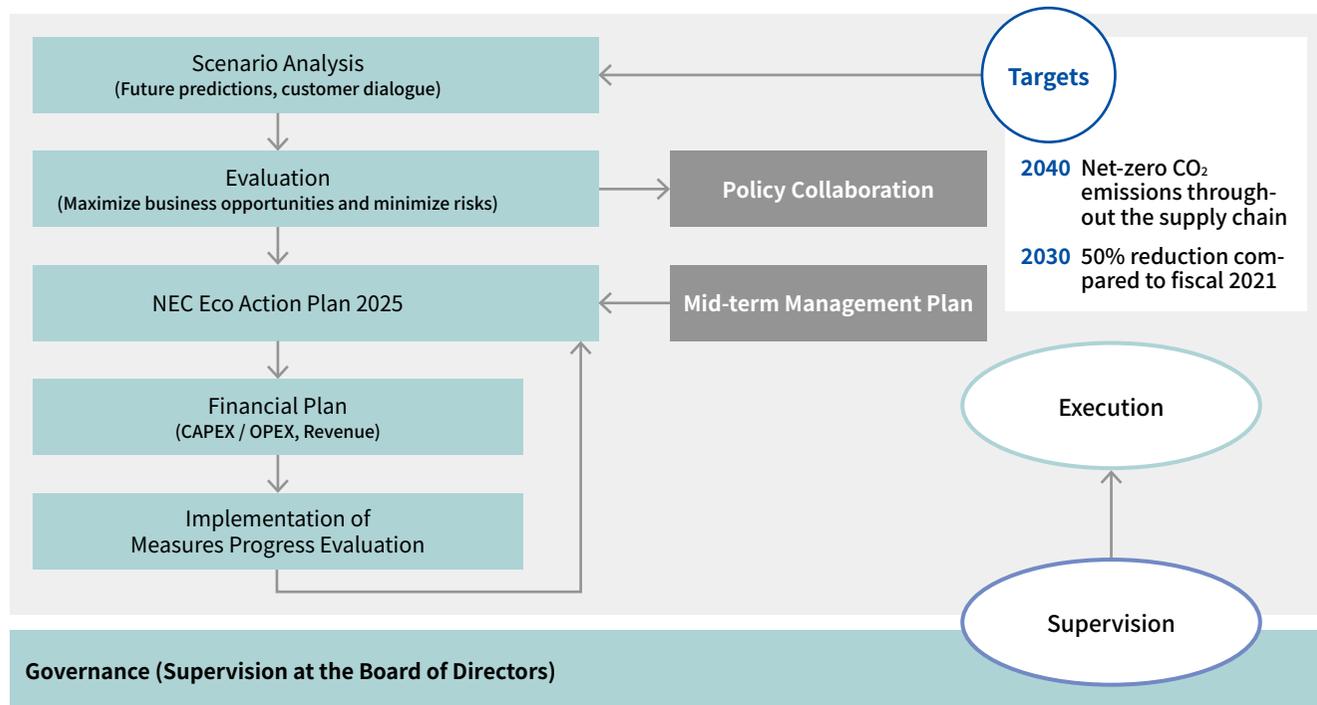
Environmental Initiatives: Living Harmoniously with the Earth to Secure the Future

### Climate Transition Plan

Taking an ESG perspective, NEC has positioned its response to environmental issues centered on climate change and decarbonization as both a management priority and material issue, and is driving forward related initiatives. To transition to a business model in line with the goals of the Paris Agreement, which envisions a world with net-zero CO<sub>2</sub> emissions by 2050, we have reorganized existing guidelines and initiatives and formulated a climate transition plan in 2022.

Under this plan, we will carry out a series of PDCA cycles, report progress to the Board of Directors, and promote information disclosure in line with the Task Force on Climate-related financial Disclosures (TCFD) recommendations. We will also report to the Board of Directors as necessary on climate risks and opportunities that could have a significant impact on our operations. When the Board of Directors receives a report, it will oversee the proper implementation of NEC's climate change measures by deliberating and issuing instructions.

#### NEC's Climate Transition Plan



### Other Environment-Related Initiatives

#### Products and Services that Help to Mitigate Climate Change 🌐

Leveraging the knowledge we have gained from our own initiatives, we help customers work toward carbon neutrality by providing consulting services for defining overall ESG issues, formulating overall strategies, and implementing measures. In addition, we provide solutions that underpin the implementation of these measures, thus providing total support for resolving various customer issues.

#### Water Risk Management and Effective Use of Water Resources 🌐

NEC complies with environmental laws and regulations and promotes reduction efforts in its water consumption and environmental impact. We are also employing water risk management practices, which include addressing the issues of water shortages, water pollution, and flooding.

#### Resource Circulation and Pollution Prevention 🌐

NEC is working on consistent resource recycling from production to use and recycling, and reducing environmental impacts such as the amount of waste generated during each process. In particular, hardware products that our customers have used consume a lot of resources, so we carry out initiatives to make effective use of limited resources by collecting and recycling them.

#### Natural Capital and Biodiversity 🌐

NEC strives to minimize the impact of business activities and employees' lifestyles on living organisms, and to actively encourage activities that contribute to biodiversity and the provision of ICT solutions.

🌐 Please visit the website below to view the NEC TNFD Report (2nd edition) released on July 29, 2024.  
[https://www.nec.com/en/press/202407/global\\_20240729\\_02.html](https://www.nec.com/en/press/202407/global_20240729_02.html)

## Directors (As of July 1, 2024)

### Christina Ahmadjian

Member of the Board  
(Independent Director)



### Masashi Oka

Member of the Board  
(Independent Director)



### Kyoko Okada

Member of the Board  
(Independent Director)

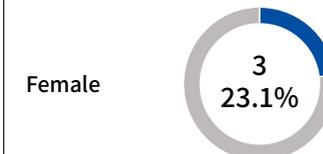
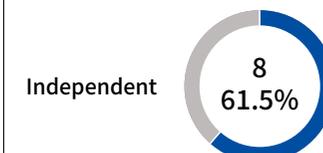


### Harufumi Mochizuki

Member of the Board  
(Independent Director)



#### Composition of the Board of Directors (13 Directors)



### Joji Okada

Member of the Board  
(Independent Director)



### Yoshihito Yamada

Member of the Board  
(Independent Director)



### Shinjiro Sato

Member of the Board  
(Independent Director)



### Shiori Nagata

Member of the Board  
(Independent Director)



### Takashi Niino

Chairman of the Board  
(Chairperson of the Board of Directors)



### Takayuki Morita

President and CEO  
(Representative Executive Officer),  
Member of the Board



### Osamu Fujikawa

Corporate Executive Vice President and CFO  
(Representative Executive Officer),  
Member of the Board



### Hajime Matsukura

Corporate Secretary  
(Executive Officer),  
Member of the Board



### Shinobu Obata

Member of the Board



Directors

**Directors' Career Skill Matrix**

The Board of Directors of NEC Corporation (the "Company") is comprised with consideration given to the balance between diversity, in such factors as career background, specialist field, internationality and gender, and appropriate size.

In addition, to ensure and improve the effectiveness of the Board of Directors, the Company has examined and formulated the career background and skills particularly expected of Directors. Aiming to ensure the functioning of Board of Directors reforms after the transition to a Company with a Nominating Committee, etc., the Company has defined the following eight skills and clearly specified the details of each skill.

	Years served as Member of the Board (as of June 30, 2024)	Attributes			Eight particularly expected career background and skill categories								Nominating Committee	Compensation Committee	Audit Committee		
		Independent director	Non-executive	Gender / Nationality	Corporate management	Global business	Technology / Innovation	Sustainability / ESG	Marketing	Financial accounting / Investment	Audit / Legal / Risk management	Corporate governance					
Independent Directors	Christina Ahmadjian	3	■	■	■ Female, Foreign Nationality		●		●			●	●				
	Masashi Oka	2	■	■		●	●				●	●	●	■	■	Chairperson	
	Kyoko Okada	1	■	■	■ Female				●			●					■
	Harufumi Mochizuki	1	■	■		●	●					●	●	■	■	Chairperson	■
	Joji Okada	1	■	■			●				●	●	●				■
	Yoshihito Yamada	1	■	■		●	●	●		●			●	■	■		
	Shinjiro Sato	—	■	■		●	●	●			●		●		■		■
	Shiori Nagata	—	■	■	■ Female		●		●	●	●						■
Chairman of the Board (Chairperson of the Board of Directors)	Takashi Niino	13		■		●			●			●	■				
President and CEO (Representative Executive Officer), Member of the Board	Takayuki Morita	8				●	●			●	●	●		■			
Corporate Executive Vice President and CFO (Representative Executive Officer), Member of the Board	Osamu Fujikawa	2						●	●	●	●						
Corporate Secretary (Executive Officer), Member of the Board	Hajime Matsukura	7							●		●	●					
Member of the Board	Shinobu Obata	1		■								●	●			■	

● indicates that the respective Director has extensive experience and deep insight

**Specific Details of Career Background and Skills Particularly Expected of Directors**

Skills	Details
Corporate management	Practical knowledge on company management based on experience as chief executive officer of operating companies
Global business	Experience as chief executive officer or department head in multinational companies or specialized knowledge on global markets
Technology / Innovation	Business experience or specialized knowledge on technology related mainly to ICT and digital transformation, or experience or specialized knowledge on new business creation and market innovation
Sustainability / ESG	Knowledge about diverse values on female, foreign nationality, disabilities, etc., leadership experience in ESG activities or specialized knowledge on ESG management
Marketing	Experience as head in the marketing or brand strategy department or the sales department in operating companies, or specialized knowledge on business-to-business transactions and marketing
Financial accounting / Investment	Experience as chief financial officer of operating companies, professional work experience in major accounting firms, investment companies, etc., or specialized knowledge on investments, finance and accounting, etc.
Audit / Legal / Risk management	Risk management experience in accounting, legal affairs, technology, cybersecurity, etc., in operating companies, or experience as an audit committee member, audit & supervisory board member, or department head in auditing division, or specialized knowledge on international and domestic legal affairs or geopolitics
Corporate governance	Specialized knowledge on recent global corporate governance practices, or experience and practical knowledge of implementing governance reforms at operating companies

# Corporate Governance

## Basic Policies on Corporate Governance and Measures Taken to Date

**Basic Policies on Corporate Governance**

1. Assurance of transparent and sound management
2. Realization of prompt decision-making and business execution
3. Clarification of accountability
4. Timely, appropriate, and fair disclosure of information

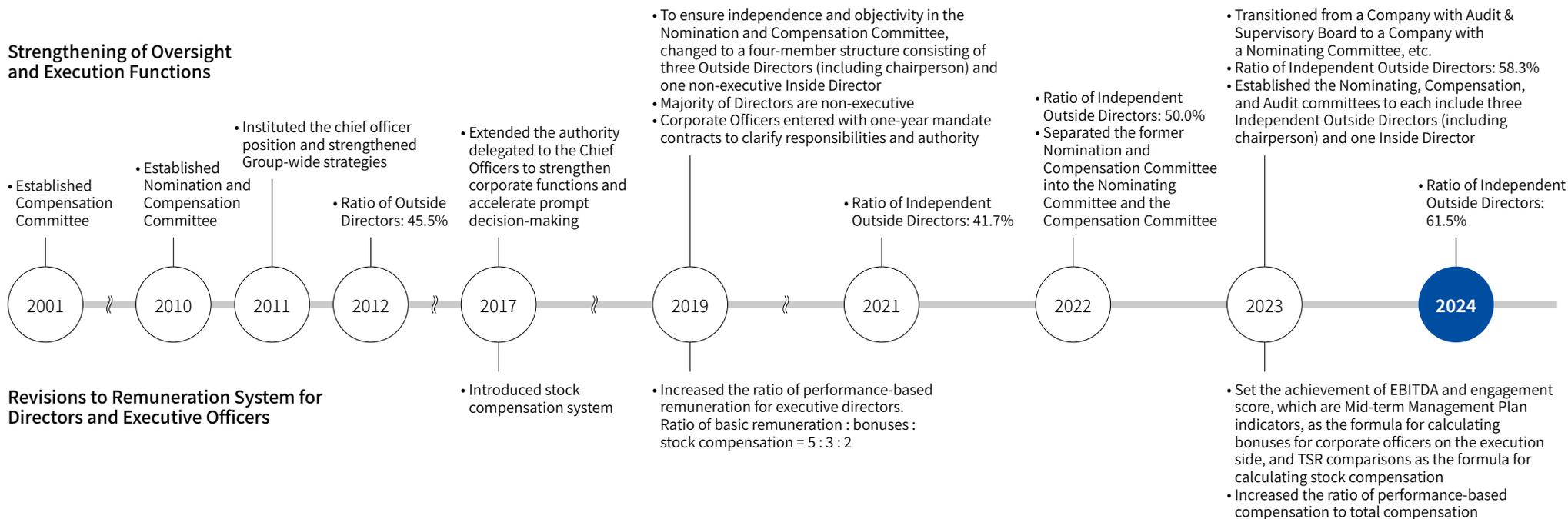
In June 2023, the Company transitioned from a Company with Audit & Supervisory Board to a Company with a Nominating Committee, etc. Taking the opportunity of this transition to clearly separate the oversight function from execution by management, the Company has strengthened the oversight function of the Board of Directors by having Independent Outside Directors make up its majority. By delegating substantial authority from the Board of Directors to Executive Officers with respect to business execution, the Company accelerates timely decision-making and

implementation. At the same time, the Company is strengthening corporate governance on the execution side, including by reinforcing the Company-wide risk management system, improving the quality of decision-making on the execution side, and enhancing its internal audit function.

With the aim of accelerating the reform of the Board of Directors, the Company increased the number of Independent Directors by one in June 2024, bringing the total number of Directors to 13, including eight Independent Directors.

## Main Initiatives for Strengthening Corporate Governance

### Strengthening of Oversight and Execution Functions



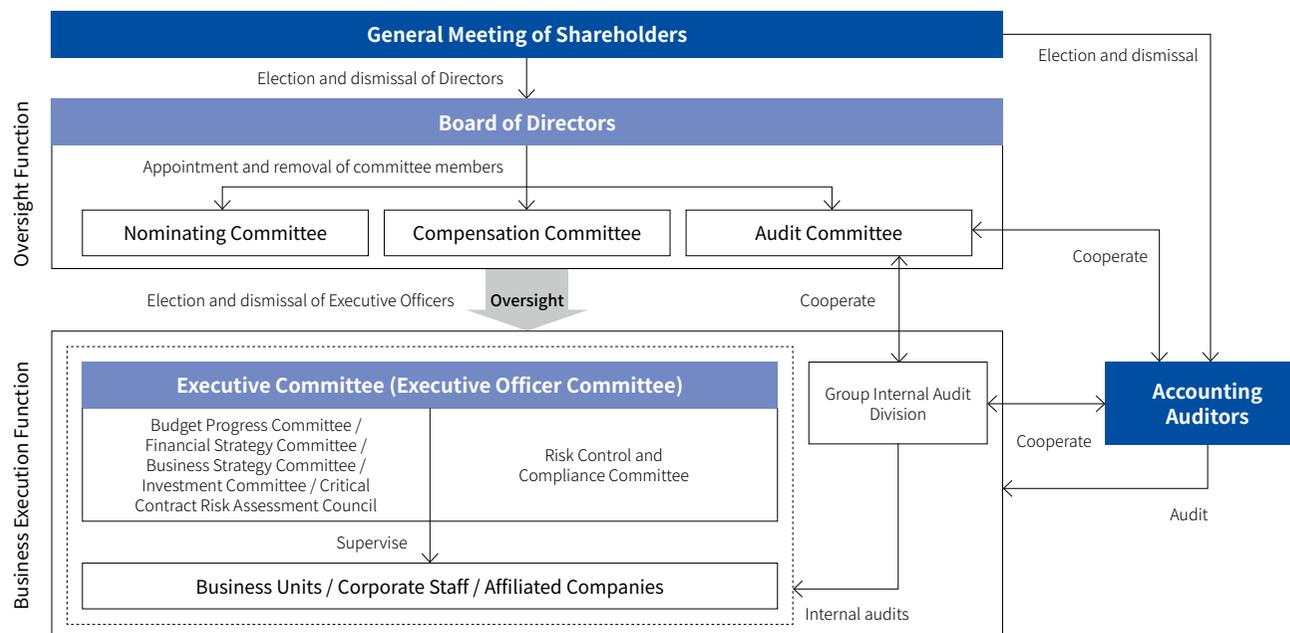
Corporate Governance

**Overview of Corporate Governance System**

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction of management through deliberation of important matters related to the Company’s basic management policy. From the perspective of ensuring independence, the majority of the Board of Directors comprises Independent Outside Directors, and the Nominating, Compensation, and Audit committees are each chaired by an Independent Outside Director. The primary role of the Chairman of the Board, along with chairing Board meetings, is to oversee the management of the Company. The Chairman does not serve concurrently as an Executive Officer and is not involved in the day-to-day execution of the Company’s business operations.

Executive Officers are responsible for the execution of the Company’s business operations as delegated by the Board of Directors. By delegating substantial authority to Executive Officers, the Company is working to accelerate business execution and business execution-related decision-making. In line with this, the Company is working to strengthen corporate governance on the execution side through such measures as reinforcing the Company-wide risk management system centered on the Chief Risk Officer (CRO), improving the quality of decision-making by reorganizing the executive meeting bodies centered on the Executive Committee, and enhancing the internal audit function led by the Chief Audit Officer (CAO).

🌐 For information on the Company’s corporate governance system, initiatives, and achievements, please visit the website below.  
[https://www.nec.com/en/global/about/pdf/nec\\_governance.pdf](https://www.nec.com/en/global/about/pdf/nec_governance.pdf)



Corporate Governance

**Oversight Function**

**Board of Directors**

The Board of Directors is responsible for overseeing the execution of duties by Directors and Executive Officers as well as guiding the direction of management through deliberation of important matters related to the Company’s basic management policy.

**Important Matters Related to the Company’s Basic Management Policy**

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. Medium- to long-term strategy / mid-term management plan policy formulation</li> <li>2. Governance structure / decision-making process policy formulation</li> <li>3. Capital policy and balance sheet policy formulation</li> </ol> | <ol style="list-style-type: none"> <li>4. Business portfolio policy formulation</li> <li>5. Large-scale M&amp;A and large-scale investments</li> <li>6. Other measures to enhance corporate value originating from the NEC Way</li> </ol> |
|--|---|

**Main Agenda Items and Discussion Details in Fiscal 2024**

12 meetings held with an attendance rate of 100%

With the exception of special circumstances, each Director aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year.

**Matters Related to Oversight of the Execution of Duties**

- Progress of Mid-term Management Plan 2025 and budget
- Policy for strengthening risk management
- Internal audit plan and audit results
- Status of development and operation of internal control system
- Status of activities of the Nominating Committee, the Compensation Committee, and the Audit Committee

**Important Matters Related to the Company’s Basic Management Policy**

- Group management and business portfolio (optimization of Group management functions with the aim of maximizing the performance of the entire NEC Group, initiatives for low-profit businesses, policies for growth investment, etc.)
- Capital allocation (the Company’s overall capital allocation policy, shareholder return measures, approach to growth investment, etc.)
- Human capital management (status of initiatives to improve employee engagement, progress in human resource diversity indicators, etc.)
- Sustainability (status of initiatives to the materiality, direction of the sustainability management framework, etc.)
- Corporate governance (corporate governance reform policy and progress, including evaluation of effectiveness of the Board of Directors)

**Off-site Meetings for Improving the Effectiveness of the Board of Directors**

In addition to overseeing the execution of duties, the Board of Directors is also responsible for guiding the direction of management. The transition to a Company with a Nominating Committee, etc., has led to more in-depth discussions of management agenda items aimed at enhancing corporate value over the long term.

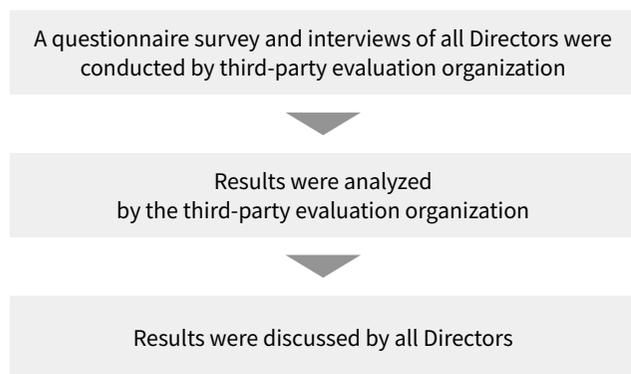
The Company has also been utilizing off-site meetings as a forum for intensive discussions separate from Board meetings. At the off-site meeting in fiscal 2024, the first year following the transition to a Company with a Nominating Committee, etc., all of the Directors engaged in a full-day discussion on medium- to long-term strategies and the strengthening of corporate governance, with a shared understanding of the execution side’s thinking on the medium- to long-term management plan. The wide-ranging and candid discussions at off-site meetings lead to deeper discussions of each agenda item at subsequent Board of Directors and to improvements in its effectiveness.

Corporate Governance

**Evaluation of the Effectiveness of the Board of Directors**

The Company conducts an evaluation and verification of the effectiveness of the Board of Directors every fiscal year, in order to improve the effectiveness of the Board of Directors.

Evaluation Process



Summary of Fiscal 2024 Evaluation Results

Significant improvements were recognized in the three priority items addressed in fiscal 2024: Enhancement of deliberations and discussions, strengthening of oversight function, and strengthening of communication. There has been a shift from a resolution-centric approach to an agenda that focuses on important management matters to enhance corporate value, the monitoring process has been redeveloped in light of the significant delegation of authority to the execution side, and opportunities for communication among Directors and between Directors and Executive Officers has been enhanced, as well as the content of such communication. However, it was confirmed that, in order to further improve the effectiveness of the Board of Directors and committees, it is necessary to upgrade the operation of the Board of Directors, clarify committee functions, and strengthen the support system for Directors by the Secretariat.

Policy for Future Initiatives

Based on the results of the fiscal 2024 evaluation, the Company will promote the following initiatives in fiscal 2025.

- 1. Upgrade of Board of Directors Operations**  
Agenda setting focusing on important matters as well as review of materials and advance explanations to enhance discussions in each agenda item, etc.
- 2. Clarification of committee functions**  
Clarification of the roles and functions of each committee, as well as items and processes to be deliberated, etc.
- 3. Strengthening of the support system for Directors by the Secretariat**  
Strengthening of the secretariat system, streamlining of operations across the Board of Directors and committees, enhancement of the onboarding program at the time of appointment, etc.

**Nominating Committee**

Three Independent Directors (including the committee chairperson)  
One Inside Director

The Nominating Committee deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning nomination of the Company's Officers and the succession plan for the CEO including management personnel development, as well as on the contents of proposals to be submitted to the General Meeting of Shareholders concerning the election or dismissal of Directors.

Fiscal 2024 Activities

Five meetings held with an attendance rate of 100%\*

The Nominating Committee mainly deliberated the composition of the Board of Directors to ensure the functionality of the transformation of the Board of Directors' role following the transition to a Company with a Nominating Committee, etc., the selection of candidates for Outside Directors, and the administration, etc., of the CEO's succession plan (management personnel development and CEO selection process).

**Compensation Committee**

Three Independent Directors (including committee chairperson)  
One Inside Director

The Compensation Committee deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning the remuneration of the Company's Directors and Executive Officers, including the formulation of policies on remuneration, etc., for Directors and Executive Officers and the determination of the details of remuneration, etc., for each individual Director and Executive Officer.

Fiscal 2024 Activities

Four meetings held with an attendance rate of 100%\*

The Compensation Committee mainly deliberated on the establishment of the remuneration system for Directors and Executive Officers, determination of the amount of remuneration for each individual, the additional trust for stock compensation, and monitoring the operation of the remuneration system (analysis of regular benchmark results and responses to problematic items).

**Audit Committee**

Five Independent Directors (including committee chairperson)  
One Inside Director

The Audit Committee audits the execution of duties by Executive Officers and Directors. It periodically reports the audit plan and audit results to the Board of Directors and makes recommendations based on the audit results to the President.

Fiscal 2024 Activities

11 meetings held with an attendance rate of 100%\*

In light of the fact that this is the first year following the transition to a Company with a Nominating Committee, etc., the Audit Committee proceeded with its audits in accordance with the basic policies of improving the quality of the Audit Committee audits, strengthening cooperation between the Audit Committee and the internal auditing division, and developing a framework for three-way audits (the Audit Committee, the internal auditing division, and the Accounting Auditors), in which the Audit Committee plays a leading role.

\* After the transition to a Company with a Nominating Committee, etc.

Corporate Governance

### Remuneration for Directors and Executive Officers

In accordance with the basic policy on the remuneration of Directors and Executive Officers, the Company has established a remuneration system that will lead to the sustainable growth of corporate value and the realization of management that is focused on the creation of shareholder value. The system is applied to Directors and corporate officers on the execution side including Executive Officers.

The ratio of basic remuneration, bonuses, and stock compensation are determined in accordance with the responsibilities of each officer on the execution side, taking into account the compensation levels and ratios of competitors and other companies. The ratio is set at one-third of each for the President.

Remuneration for Directors is, in principle, basic remuneration. However, from the viewpoint of increasing shareholder value, inside Directors will be paid medium- to long-term incentive (stock compensation) up to a maximum of approximately 30% of their total remuneration. In order to promote management that creates shareholder value, Inside Directors and Executive Officers are encouraged to own shares of the Company.

🌐 For more details on the remuneration for Directors for fiscal 2024, please visit the website below.  
[https://www.nec.com/en/global/about/pdf/nec\\_governance.pdf](https://www.nec.com/en/global/about/pdf/nec_governance.pdf)

#### Basic Policy on the Remuneration of Directors and Executive Officers

1. The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
2. The remuneration system is linked to the Mid-term Management Plan target indicators and provides incentives for Executive Officers to achieve the management targets indicated in the Mid-term Management Plan.
3. As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

Remuneration type	Fixed remuneration	Performance-based remuneration	
	Basic remuneration	Short-term incentive (bonuses)	Medium- to long-term incentive (stock compensation)
Payment method	Monetary remuneration	Group-wide performance-based component	Department performance-based component
Evaluation period	—	Monetary remuneration	
Calculation method and indicators for determining remuneration amounts, etc.	Amount is determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title  For corporate officers on the execution side, basic remuneration increases or decreases based on performance, and the performance indicators include non-financial indicators such as practical implementation of the NEC Way and our “materiality”—priority management themes from an ESG perspective.	One year	Three years
		<p>Linked to the degree of achieving targets of key performance indicators set in the Mid-term Management Plan for each fiscal year</p> <p>Indicator responsible for the “Strategy” aspect of Mid-term Management Plan 2025                      EBITDA (amount) ..... 50%                      EBITDA (percentage to revenue) ..... 30%</p> <p>ESG indicator responsible for the “Culture” aspect of Mid-term Management Plan 2025                      Employee engagement score ..... 20%</p> <p>The amount is set between 0% and 200% of the standard amount for each job title, based on the achievement level of performance targets.</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">The amount of Bonus</div> <div style="margin-right: 10px;">=</div> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">                     Group-wide performance-based component                      Group-wide standard amount × Group-wide evaluation                 </div> <div style="margin-right: 10px;">+</div> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">                     Department performance-based component                      Department standard amount × Department evaluation                 </div> </div>	<p>The number of shares to be granted for stock compensation is determined in a range from 0% to 150% of the number of shares granted by job title, in accordance with the results of a comparison of the Company’s total shareholder return (TSR) with indices such as the Tokyo Stock Price Index (TOPIX) and peer group companies in order to further clarify the linkage with sustainable growth of corporate value and increase in shareholder value.</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">Shares to be granted</div> <div style="margin-right: 10px;">=</div> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">                     Number of shares granted by job title                 </div> <div style="margin-right: 10px;">×</div> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;">                     TSR growth rate                      Index comparison + Peer group comparison                      50% + 50%                 </div> </div>

Corporate Governance

**Execution Function**

The Company promotes accelerated decision-making and business execution by delegating substantial authority to Executive Officers. The Company has introduced Chief Officers to implement Group-wide strategies. Under the direction of the President, each Chief Officer is working to establish and operate the optimal management infrastructure for the areas for which they are responsible.

The Company has established the Executive Committee, which is the highest-level deliberative body on the execution

side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, including Presidents of each business unit and Chief Officers, deliberates on important matters related to the management of NEC, such as management policies and strategies, and examines important business execution matters. In addition, the Budget Progress Committee, Financial Strategy Committee,

Business Strategy Committee, Investment Committee, and Critical Contract Risk Assessment Council conduct deliberations in advance on their respective responsibilities in accordance with their roles and authorities and work in tandem with the Executive Committee in order to ensure that appropriate decisions can be made.

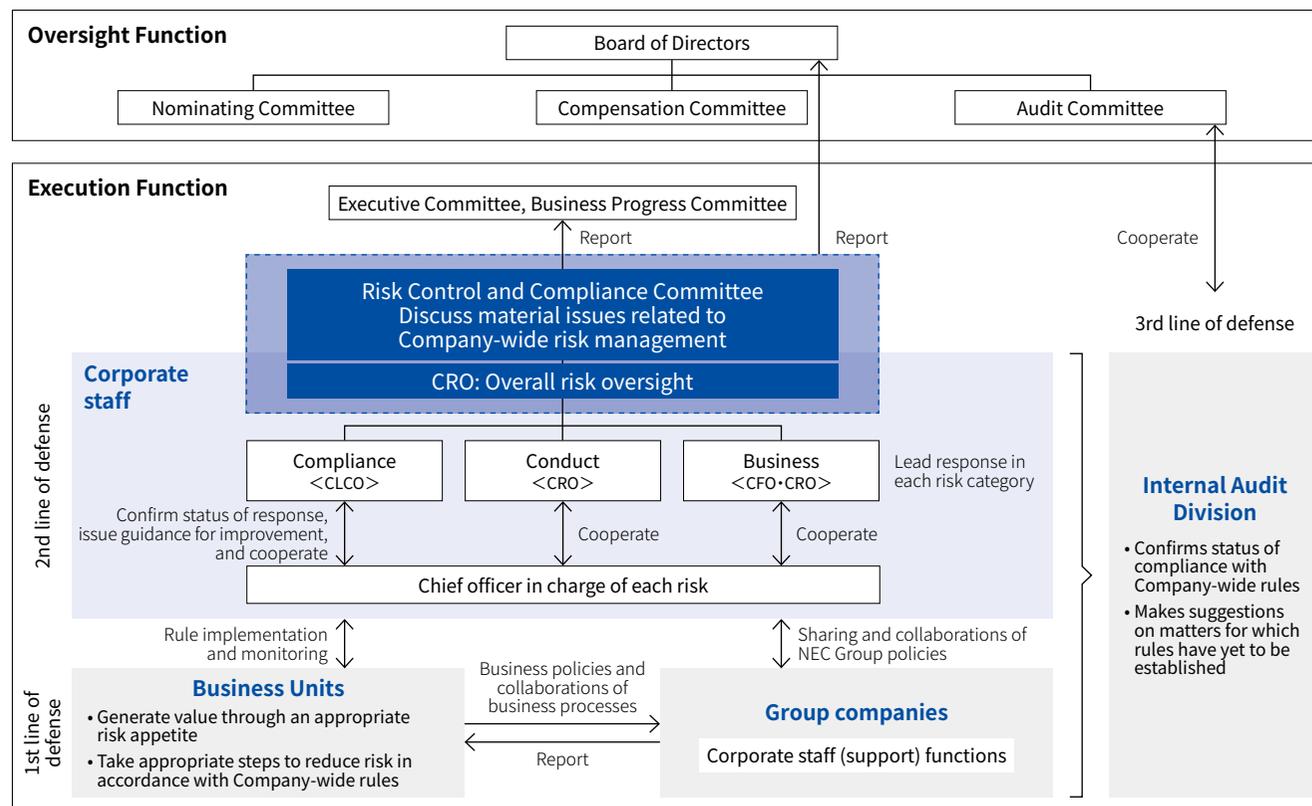
**Risk Management**

**Overview of Risk Management System**

NEC has a Company-wide cross-sectional risk management system, centered on the Risk Control and Compliance Committee and CRO, to accurately comprehend and to respond appropriately to both internal and external risks related to NEC’s businesses. The system is outlined in the chart on the right.

The Company, in the Risk Control and Compliance Committee, discusses a risk management policy, selection of and response policies to “Priority Risks” that requires countermeasures across NEC, as well as measures to address risks that require Company-wide management due to fluctuations in risk environment during the fiscal year, and other important matters related to Company-wide risk management, then reports them to the Business Strategy Committee and the Board of Directors on a regular basis.

The Company has the CRO to monitor and address Company-wide risks centrally and cross-functionally and manage possibilities to make losses. The CRO takes a lead the Company-wide risk management by detecting and analyzing various / complicated risks in social and business environment changing day by day, and evaluating impacts, while prioritizing countermeasures and closely collaborating with other chief officers managing each risk.

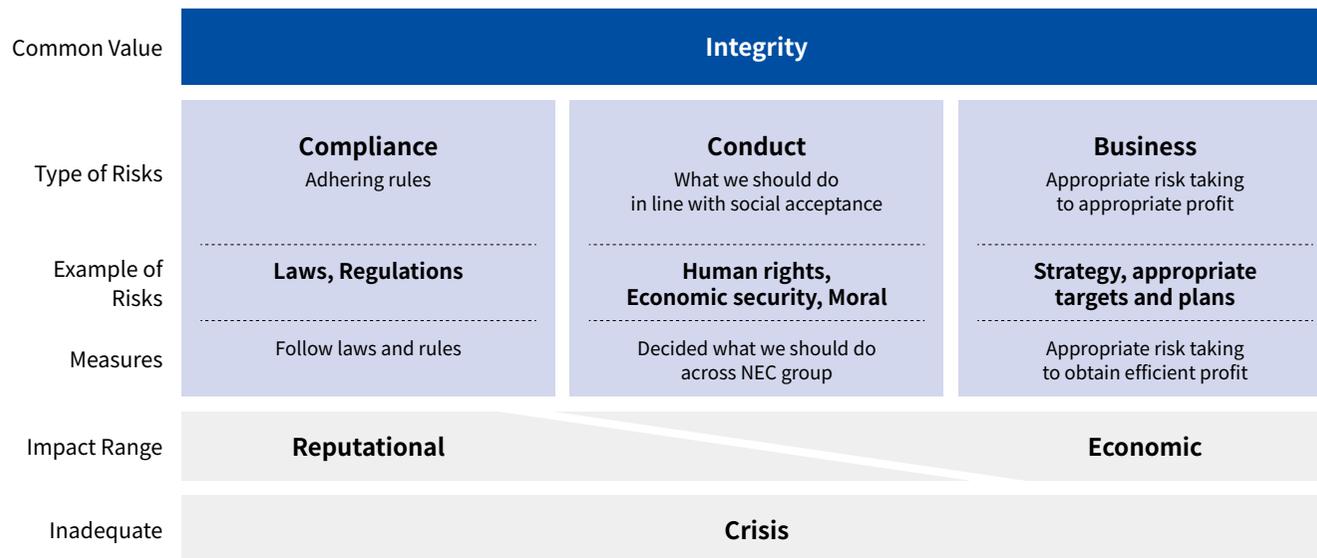


Corporate Governance

**Risk Management Policies**

In order to pursue returns through appropriate risk management, NEC has categorized the risks associated with its businesses into the Risk Total Picture as shown in the chart on the right, and has decided responsible divisions and response policies for each risk in line with this picture. NEC recognizes integrity as the foundation of all risk management activities and classifies risks into three categories according to their nature.

Should a risk materialize, especially in the event of a crisis that threatens the survival of the Company, the Company has developed a response flow centered on the divisions responsible for each risk.



Based on a comprehensive list of risks that NEC should be aware of, the CRO engages in dialogue with the other chief officers in charge of managing each risk and conducts risk assessment. The CRO creates a risk map that visualizes risk priorities under common criteria such as impact and urgency based on changes in the external and internal environment and the status of each risk countermeasure. The CRO updates the risk map through the review of the Risk Control and Compliance Committee on a quarterly basis, and regularly report to the Business Strategy Committee and the Board of Directors.



## Financial and Non-financial Highlights

	JGAAP		IFRS							(Billions of yen)	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	
Revenue	¥2,935.5	¥2,824.8	¥2,665.0	¥2,844.4	¥2,913.4	¥3,095.2	¥2,994.0	¥3,014.1	¥3,313.0	<b>¥3,477.3</b>	
International revenue	586.8	603.1	571.0	740.2	689.1	752.0	703.2	754.5	895.6	<b>888.0</b>	
International revenue ratio (%)	20.0	21.4	21.4	26.0	23.7	24.3	23.5	25.0	27.0	<b>25.5</b>	
Operating profit	128.1	91.4	41.8	63.9	57.8	127.6	153.8	132.5	170.4	<b>188.0</b>	
Non-GAAP operating profit	—	—	—	—	—	—	150.9	160.3	197.0	<b>227.6</b>	
Non-GAAP operating profit ratio (%)	—	—	—	—	—	—	5.0	5.3	5.9	<b>6.5</b>	
Net profit attributable to owners of the parent	57.3	75.9	27.3	45.9	39.7	100.0	149.6	141.3	114.5	<b>149.5</b>	
Non-GAAP net profit	—	—	—	—	—	—	144.6	159.5	132.8	<b>177.8</b>	
Cash flows from operating activities	87.9	97.8	92.5	130.0	64.2	261.9	274.9	147.5	152.1	<b>271.2</b>	
Cash flows from investing activities	(47.5)	(32.2)	6.4	(14.2)	(76.7)	(84.0)	(122.5)	(63.4)	(49.6)	<b>(76.0)</b>	
Free cash flows	40.4	65.6	99.0	115.8	(12.4)	177.8	152.4	84.1	102.5	<b>195.2</b>	
R&D expenses	134.2	123.6	109.3	108.1	108.1	109.8	114.6	126.3	121.4	<b>115.8</b>	
Number of patents	Approx. 65,000	Approx. 53,000	Approx. 53,000	Approx. 51,000	Approx. 49,000	Approx. 47,000	Approx. 46,000	Approx. 45,000	Approx. 42,000	<b>Approx. 41,000</b>	
Capital expenditures (property, plant and equipment)	37.4	36.3	31.5	45.4	62.7	67.4	57.6	59.3	67.6	<b>86.7</b>	
Depreciation (property, plant and equipment)	48.5	50.5	49.9	63.8	64.4	123.4	122.8	123.1	130.2	<b>130.8</b>	
Per share data (in yen):											
Net profit attributable to owners of the parent <sup>1</sup>	22.05	29.22	10.51	176.54 <sup>2</sup>	152.75 <sup>2</sup>	385.02 <sup>2</sup>	557.18 <sup>2</sup>	518.54 <sup>2</sup>	424.51 <sup>2</sup>	<b>561.25<sup>2</sup></b>	
Cash dividends	4.00	6.00	6.00	60.00 <sup>2</sup>	40.00 <sup>2</sup>	70.00 <sup>2</sup>	90.00 <sup>2</sup>	100.00 <sup>2</sup>	110.00 <sup>2</sup>	<b>120<sup>2</sup></b>	
Dividend payout ratio (%)	18.1	20.5	57.1	34.0	25.8	18.2	16.2	19.3	25.9	<b>21.6</b>	
Total assets	2,620.7	2,528.9	2,684.0	2,821.4	2,963.2	3,123.3	3,668.6	3,761.7	3,984.1	<b>4,227.5</b>	
Owners' equity <sup>3</sup>	823.7	769.8	854.3	880.8	858.9	910.7	1,308.2	1,513.5	1,623.8	<b>1,915.6</b>	
Return on equity (%)	7.5	9.5	3.4	5.3	4.6	11.3	13.5	10.0	7.3	<b>8.4</b>	
Owners' equity ratio (%)	31.4	30.4	31.8	31.2	29.0	29.2	35.7	40.2	40.8	<b>45.3</b>	
Interest-bearing debt	520.8	479.5	466.9	520.7	552.5	675.4	702.9	597.4	608.5	<b>548.6</b>	
Debt-equity ratio (times) <sup>4</sup>	0.63	0.62	0.55	0.59	0.64	0.74	0.54	0.39	0.37	<b>0.29</b>	
Number of employees	98,882	98,726	107,729	109,390	110,595	112,638	114,714	117,418	118,527	<b>105,276</b>	
Ratio of women in all management positions (%)	—	—	—	—	7.8	7.8	9.2	9.6	10.3	<b>11.1</b>	
Ratio of women in all management positions (non-consolidated, %) <sup>5</sup>	5.2	5.4	5.5	5.8	5.9	6.2	6.9	7.8	8.9	<b>10.2</b>	
Employee engagement index (%)	—	—	—	—	14	20	25	35	36	<b>39</b>	
Greenhouse gas emissions (Scope 1 and Scope 2) (thousand tons)	—	—	350	338	329	373	327	324	259	<b>226</b>	
Greenhouse gas emissions (Scope 3 <sup>6</sup> ) (thousand tons)	—	—	7,410	7,606	7,585	6,996	6,158	6,535	6,894	<b>5,738</b>	

1 Net profit attributable to owners of the parent per share is calculated based on the weighted-average number of shares outstanding during each period.  
2 The amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.

3 Owners' equity = Equity attributable to owners of the parent

4 The debt-equity ratio is calculated by dividing interest-bearing debt by owners' equity.

5 As of April 1 of the following fiscal year

6 Scope 3 emissions from fiscal 2018 to fiscal 2020 have been adjusted to reflect a revision of the coefficient for Scope 3 Category 1 emissions. For this reason, the total differs from the sum of each scope.

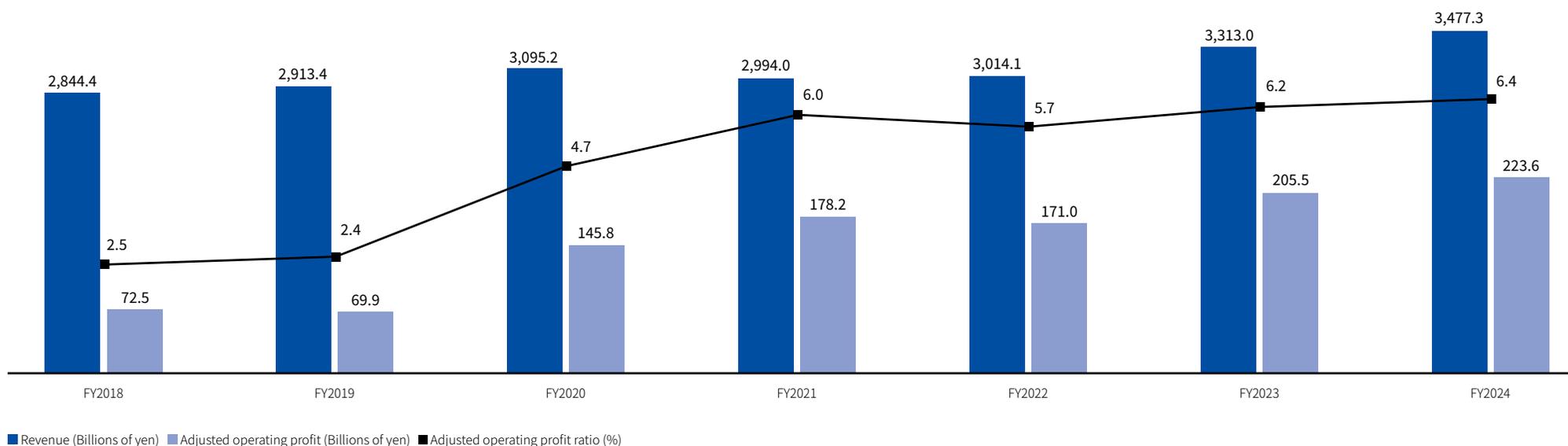
Please visit the website below for business performance data and financial information.  
<https://www.nec.com/en/global/ir/finance/analytics.html>

Please visit the website below for more detailed non-financial data.  
<https://www.nec.com/en/global/csr/data/index.html>

Please visit the website below for the Annual Securities Report.  
<https://www.nec.com/en/global/ir/library/far.html>

# Business Performance Highlights

## Revenue, Adjusted Operating Profit, and Adjusted Operating Profit Ratio



## Main Management Initiatives

### Fiscal 2018

Acquired Northgate Public Services Limited (now NEC Software Solutions UK Limited)

### Fiscal 2019

Established dotData, Inc., in the United States  
 Established NEC X, Inc., in the United States  
 Acquired Danish company KMD Holding A/S  
 Sold shares of electrode business

### Fiscal 2020

Sold shares of Nippon Avionics Co., Ltd.  
 Formed agreement to make NEC Display Solutions, Ltd. a JV company

### Fiscal 2021

Acquired Switzerland-based Avaloq Group AG

### Fiscal 2022

Sold energy business

### Fiscal 2024

Transitioned from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc.  
 Integrated mobile backhaul business with Aviat Networks, Inc.  
 Sold shares of Japan Aviation Electronics Industry, Ltd.

## Corporate Overview

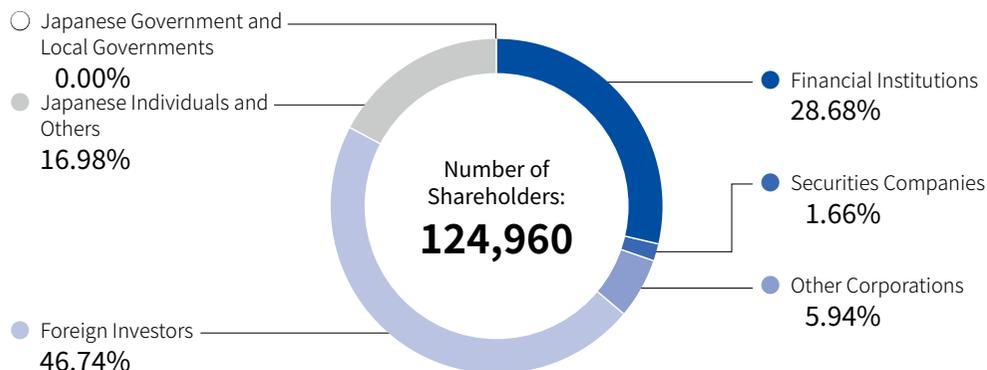
Company Name	NEC Corporation
Head Office	7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established	July 17, 1899
Number of Employees (As of March 31, 2024)	105,276 (NEC Corporation and consolidated subsidiaries)
Total Number of Shares Issued (As of March 31, 2024)	272,849,863 shares
Stock Exchange Listing	Tokyo (Securities code: 6701)
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

### Organization Chart



### Classification of Shareholders (Shareholding Ratio)

(As of March 31, 2024)



### Major Shareholders (Top 10)

(As of March 31, 2024)

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	43,658	16.36
Custody Bank of Japan, Ltd. (Trust account)	19,132	7.17
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	13,023	4.88
JP MORGAN CHASE BANK 385632	12,590	4.72
STATE STREET BANK WEST CLIENT - TREATY 505234	5,658	2.12
Sumitomo Life Insurance Company	5,600	2.10
SSBTC CLIENT OMNIBUS ACCOUNT	5,055	1.90
NEC Employee Shareholding Association	3,751	1.41
JP MORGAN CHASE BANK 385781	3,565	1.34
GOVERNMENT OF NORWAY	3,362	1.26

Note: The shareholding ratio is calculated by excluding the number of shares of treasury stock (6,063,021 shares).

Corporate Overview

Sustainability

<https://www.nec.com/en/global/sustainability/index.html>

Please visit the website above for further details on NEC’s approach to management for sustainability based on ESG themes, *NEC ESG Databook 2024*, and related information.

Department in Charge:  
Sustainability Strategy Planning Office, Stakeholder Relations Department

Evaluation by External Parties (As of June 2024)

<p><b>Dow Jones Sustainability Indices (APAC)</b></p>  <p>Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&amp;P Global CSA</p>	<p><b>FTSE4Good Index Series</b></p>  <p><b>FTSE4Good</b></p>	<p><b>FTSE Blossom Japan Index</b></p>  <p><b>FTSE Blossom Japan</b></p>	<p><b>FTSE Blossom Japan Sector Relative Index</b></p>  <p><b>FTSE Blossom Japan Sector Relative Index</b></p>
<p><b>MSCI ESG Leaders Indexes</b></p>  <p><b>2024 MSCI ESG Leaders Indexes Constituent</b></p>	<p><b>MSCI Nihonkabu ESG Select Leaders Index</b></p>  <p><b>2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX</b></p>	<p><b>MSCI Japan Empowering Women Index (WIN)</b></p>  <p><b>2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</b></p>	
<p><b>S&amp;P/JPX Carbon Efficient Index</b></p>  <p><b>S&amp;P/JPX カーボン エフィシエント 指数</b></p>	<p><b>Euronext Vigeo World 120</b></p>  <p><b>EURONEXT vigeo world INDICES WORLD 120</b></p>	<p><b>ISS ESG Corporate Rating</b></p>  <p><b>Corporate ESG Performance</b> RATED BY ISS ESG Prime</p>	
<p><b>Morningstar Japan ex-REIT Gender Diversity Tilt Index</b></p>	<p><b>CDP (Climate Change, Water Security, and Supplier Engagement)</b></p>  <p><b>CDP A LIST 2023</b> CLIMATE WATER</p>	<p><b>EcoVadis</b></p>  <p><b>PLATINUM Top 1%</b> ecovadis Sustainability Rating JUN 2024</p>	

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Investor Relations

<https://www.nec.com/en/global/ir>

Please visit the website above for investor relations (IR) presentation materials and other documents, NEC’s financial position and business results, stock and bond information, and much more. NEC constantly strives to enhance its disclosure on this website.

Department in Charge:  
Investor Relations Office, Stakeholder Relations Department

<p><b>Daiwa Investor Relations Internet IR Excellence Award 2023</b></p>	<p><b>Gomez IR Site Ranking Silver Award 2023</b></p>	<p><b>Nikko Investor Relations 2023 All Japanese Listed Companies' Website Ranking Best website in the All Markets Ranking category AAA</b></p>
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Cautionary Statement with Respect to Forward-looking Statements

This material contains forward-looking statements regarding estimates, forecasts, targets, and plans in relation to the results of operations, financial conditions, and other overall management of the NEC Group. These statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors. The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- outbreaks of infectious diseases;
- potential inability to achieve the goals in the NEC Group’s medium-term management plan;
- fluctuations in the NEC Group’s revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations and reorganizations, and business withdrawals;
- potential deterioration in the NEC Group’s relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group’s growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group’s industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group’s concentrated customer base;
- difficulties with respect to new businesses;

- potential failures in the products and services the NEC Group provides;
  - potential failure to procure components, equipment, or other supplies;
  - difficulties protecting the NEC Group’s intellectual property rights;
  - potential inability to obtain certain intellectual property licenses;
  - the NEC Group’s customers may encounter financial difficulties;
  - difficulty attracting, hiring, and retaining skilled personnel;
  - difficulty obtaining additional financing to meet the NEC Group’s funding needs;
  - potential failure of internal controls;
  - potentially costly and time-consuming legal proceedings;
  - risks related to regulatory change and uncertainty;
  - risks related to environmental laws and regulations;
  - information security and data protection concerns and restrictions;
  - potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
  - risks related to corporate governance and social responsibility requirements;
  - risks related to natural disasters, public health issues, armed hostilities, and terrorism;
  - risks related to the NEC Group’s pension assets and defined benefit obligations; and
  - risks related to impairment losses with regard to goodwill.
- The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Trademarks

- NEC is a registered trademark of NEC Corporation in Japan and other countries.
- All other names may be trademarks of their respective owners.

\Orchestrating a brighter world **NEC**