# NEC's Human Capital Management

**Transformation of People and Culture to Become an "Employer of Choice"**

March 15, 2024

Daisuke Horikawa

Corporate Executive Vice President and CHRO

NEC Corporation

# Daisuke Horikawa

1992    Joins NEC

2015    General Manager, Public Business Planning Div.

2017    General Manager, Public Infrastructure Planning Div.

2020    **Senior Vice President**
        NEC Management Partner, Ltd.
        Representative Director, Board Member, CEO

2023    Executive Vice President, Corporate EVP and CHRO
        and Managing Director, People and Culture Div.

# "Project RISE" for Execution Ability Transformation to Bring the Best Out of Employees

In order to carry out a transformation toward "Employees take the lead" culture where each employee can think spontaneously and take on new challenges, NEC declares the "execution ability transformation to bring the best out of employees" in the mid-term management plan 2020, thus investing more in people and organizations.

## Mid-term management plan 2020 (created in 2018)

| Profit-making structure transformation | Achievement of growth | Execution ability transformation<br>Bring the best out of employees |
| --- | --- | --- |
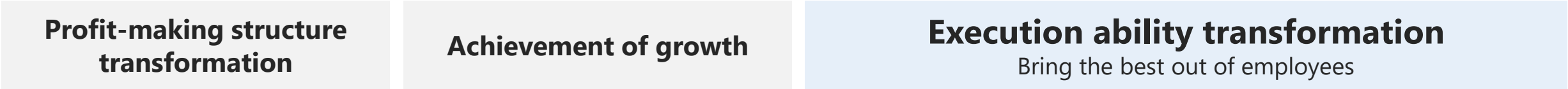
### Personnel system transformation

Evaluation and development to help employees grow
- Use of 9 blocks -

Code of Conduct
Code of Values → Conduct / Result
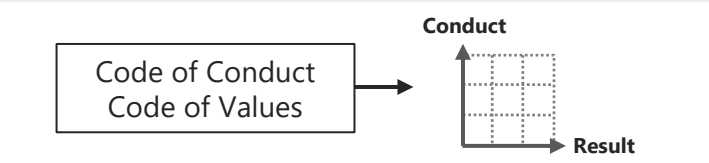
**Active appointment of external personnel**



### Workstyle transformation

Smart Work -Working hours, locations, and styles



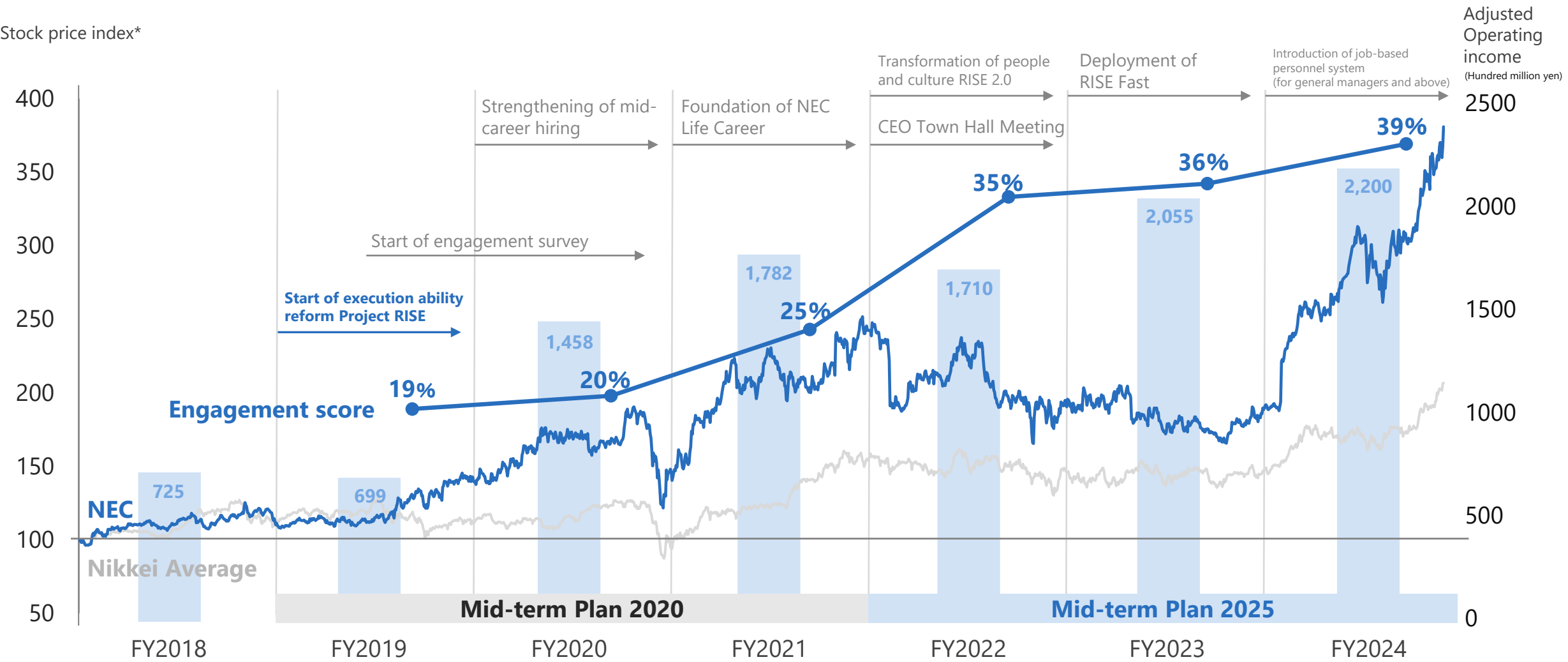### Communication transformation
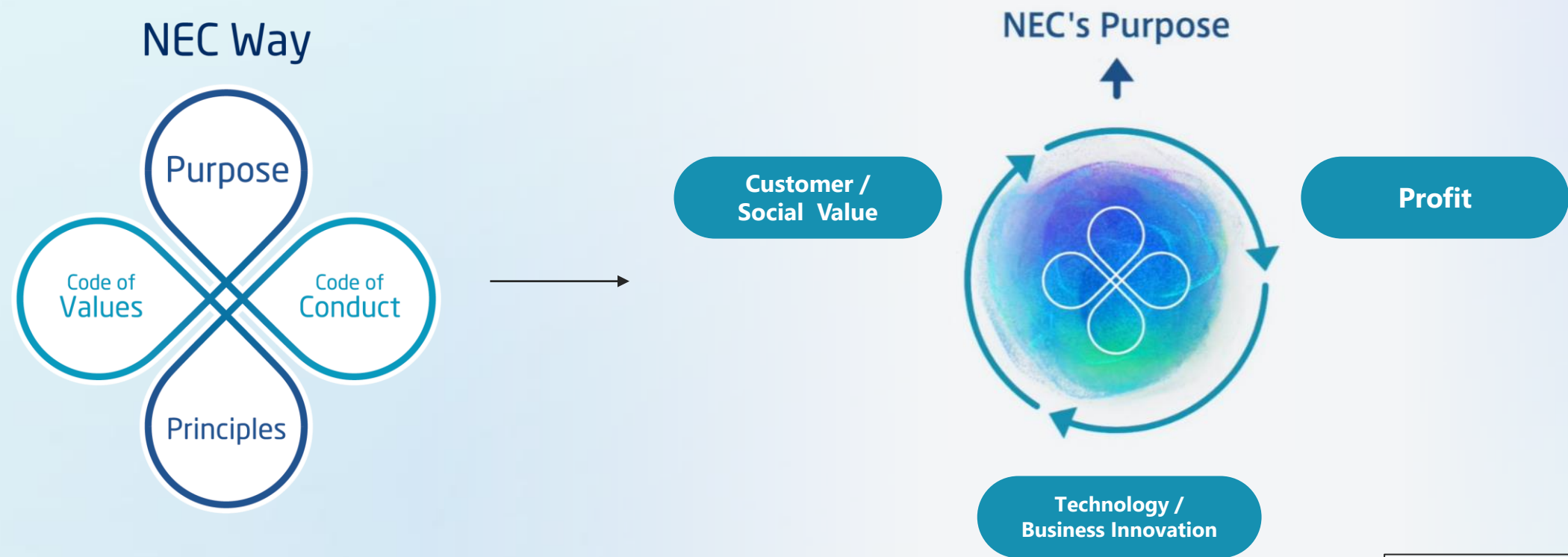
Bidirectional communication with executives

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# Corporate Value Increases As the Engagement Score Increases



Stock price index*

Adjusted Operating income
(Hundred million yen)

Strengthening of mid-career hiring

Foundation of NEC Life Career

Transformation of people and culture RISE 2.0

CEO Town Hall Meeting

Deployment of RISE Fast

Introduction of job-based personnel system (for general managers and above)

Start of engagement survey

Start of execution ability reform Project RISE

Engagement score

19%  20%  25%  35%  36%  39%

NEC

Nikkei Average

725  699  1,458  1,782  1,710  2,055  2,200

Mid-term Plan 2020    Mid-term Plan 2025

FY2018   FY2019   FY2020   FY2021   FY2022   FY2023   FY2024

* Index when the closing price on April 3, 2017 is 100

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# Create Social Value by Practicing the NEC Way

Employees who practice the NEC Way do their best to keep changing and seek to achieve our Purpose by creating customer and social values continuously through the cycle of value creation regardless of the times.



NEC Way

Purpose

Code of Values

Code of Conduct

Principles

NEC's Purpose

Customer / Social Value

Profit

Technology / Business Innovation

Excerpts from internal documents

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Chapter 1

# Key Themes of Human Capital Management Based on "Strategy" in the Mid-term Management Plan 2025

# Achieve Revenue Growth Through IT Services and Social Infrastructure

## IT Services

### Growth Area (Core DX) Is in Progress as Expected

- In Core DX, NEC Digital Platform and consulting-based business performs well; NEC Digital Platform's revenue growth exceeds industry-wide growth
- NEC Digital Platform is the core of Core DX and a driver for business model transformation from individual SI (generative AI, etc.)
- Revenue expansion of consulting-based business is accelerated as planned
- In Smart City and Cooperated Mobility with Infrastructure, implementation activities continue to be promoted in conjunction with the government's Comprehensive Development Plans

▼

**Continue to work toward FY26/3 goals of Core DX business of 570.0 billion in revenue and 13% in OP margin**

Excerpts from IR Day materials

## Social Infrastructure

(Billions of Yen)

■ Revenue (ANS)  ■ Revenue (Telecom Services)
-●- Adj. OP Margin

CAGR +**5.6**%

1,250.0

1,062.2

| | 350.0 |
| 245.2 | 900.0 |
| 817.0 | 12.3% |
| 6.9% | |

FY23/3 Actual    FY26/3 Target

**FY23/3-FY26/3**

Adj. OP CAGR

+**27.8** %
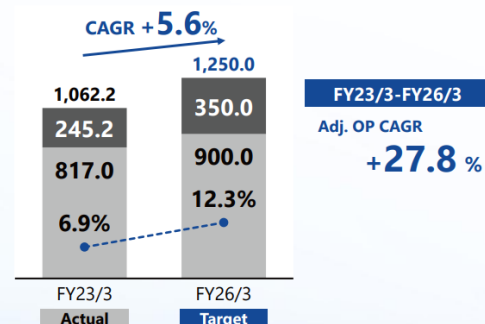
**Telecom Services**
- Review of Global 5G strategy
- Shift to high-value added business (focus on DX solutions)
- Improve profitability & expand software business

**ANS**
- Increase Revenues and improve profitability
- Strengthen Resources

▶ **Mindset Shift**

Excerpts from IR Day materials

## Base business

**Make the base business more profitable: Improve profitability by putting a monitoring system in place for poorly performing businesses**

Invest as planned / Review the business portfolio / Reallocate resources to key areas from businesses that failed to achieve the plan / Exit

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# Details of Updates in IT Service Core DX Business

Evolve and expand the DX business continuously as the key driver for achieving the mid-term management plan.
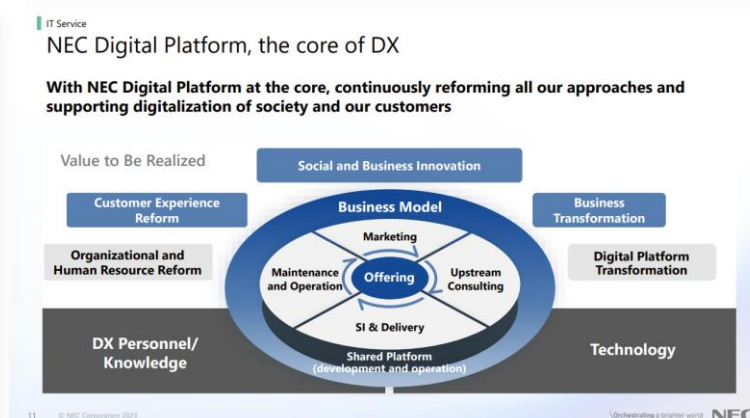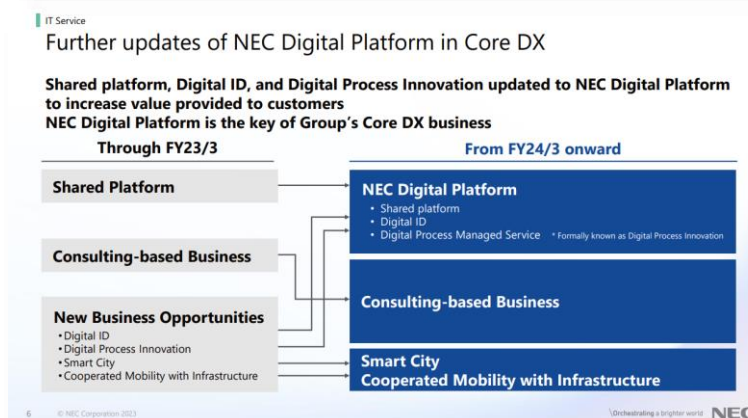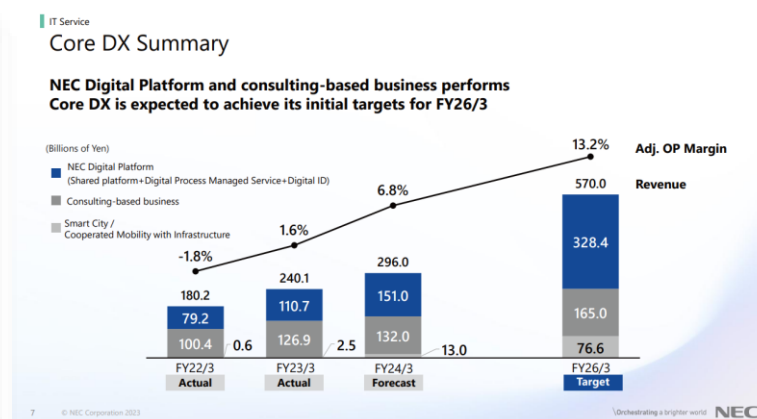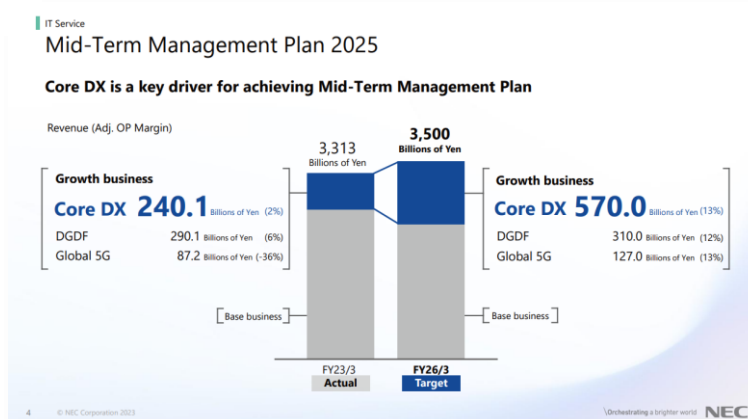
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# Key Themes of Human Capital Management in "Strategy"

**Enhance the ability to execute the strategy by strengthening DX talent, ensuring the fluidity of human resources within the group, and realizing an optimal talent portfolio.**

## Recruit

Recruit DX talent as professionals who drive the transformation of the IT service business.

## Develop

Develop DX talent to maximize the value to provide to the customer, from consultation to delivery.

## Utilize

Utilize and develop talent in ways that enable resources to be utilized across industries and ensure the fluidity of human resources within the group.

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Chapter 1
# Concrete Measures

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# Increase Mid-career Hires Dramatically by Establishing a Department Dedicated to Mid-career Hiring

## Increase in Mid-career Hires
(Ratio of new graduates to mid-career hires: 50 % to 50%)

## Expansion of Direct Sourcing

NEC established a department dedicated to mid-career hiring in FY2020 before any other companies did.
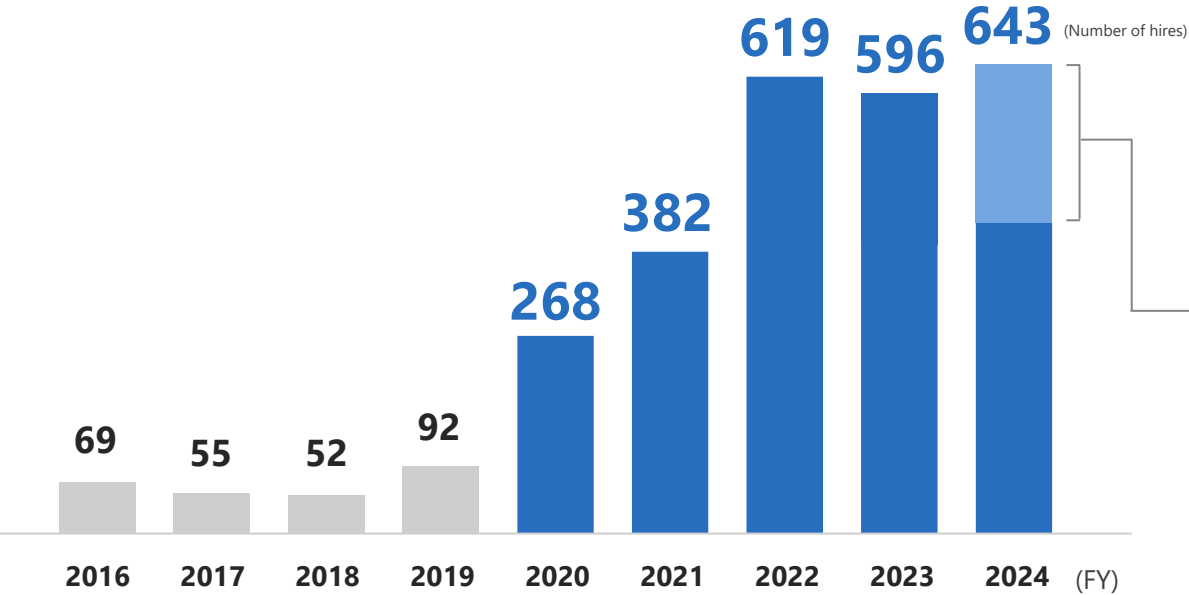
Recruit the best talent through direct sourcing, which is NEC's strength.

**FY2024**
**Number of employees hired through direct sourcing**

**216** / 643 employees

| | | |
|---|---|---|
| **Hiring website** | | **FY24 : 8.5%** |
| Direct application via NEC's hiring website | | |
| **Referral** | | **FY24 : 15.7%** |
| Referral of job seekers by NEC employees When the job seeker joins the company, the employee who made the referral will get 200,000 to 300,000 welfare benefit service points. | | |
| **Scouting** | | **FY24 : 9.2%** |
| Direct scouting by the NEC recruiting team | | |

(Number of hires)

| FY | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Number of hires | 69 | 55 | 52 | 92 | 268 | 382 | 619 | 596 | 643 |

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# Establish a Committee to Enhance Expertise by Developing Talent by Job Type in a Cross-organizational Way

The committee, chaired by a business leader who is a board member, achieves sophisticated talent development by focusing on enhancing expertise by job type.

| Committee Owner | | | | | |
|---|---|---|---|---|---|
| **CHRO & EVP Horikawa** | | | | | |

**General Secretariat**

| Sales PDM | Marketing | Service SE Consulting | Technology Development | SCM | Research |
|---|---|---|---|---|---|
| **EVP Amemiya** | **EVP Yoshizaki** | **SEVP Sakai** | **SEVP Yamashina** | **SVP Shimizu** | **SVP Yamada** |

| | |
|---|---|
| Chairperson | EVP Amemiya / EVP Yoshizaki / SEVP Sakai / SEVP Yamashina / SVP Shimizu / SVP Yamada |
| Members | **SVPs, Managing Director, Senior Director of NEC / Board members of group companies** |
| Secretariat | **Corporate** |

\* As for the staff, it is promoted by CxO units, not by committees.

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# DX Talent Development Programs to Increase Literacy and Upgrade Skills

Offer a variety of programs from expertise enhancement measures for different types of DX talent and literacy education for all employees.

| Selection | **Top Gun Tour** |
|---|---|
| | **Next-generation Global Leader Development Program for Selected Members** |

## Professional Training

**Specialty**

| **Consultant** DX Organizer Program | **Architect** Professional ICT Architect Development Course | **Agile Engineer** NEC Agile Trainup Program | **Data Scientist** NEC Analytics Challenge Cup |
|---|---|---|---|
| **Cloud** Cloud Talent Development Program | **Biometric Authentication / Video Analysis** Basic Technology / Application | | **Cybersecurity** NEC Security Skill Challenge |

## DX Talent Literacy Education

**Basics**

| DX Basics | Data Usage Basics | Mind-set / Stance |
|---|---|---|

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# Next-generation Leader Development Program - Top Gun Tour

Aim to enhance the global business capability and alliance relationships of prospective next-generation leaders.

## Program Overview

**Visit the U.S. headquarters of alliance partners Aim to create business opportunities through partnering and help participants grow as leaders.**

- Gain insights into future business opportunities by learning about advanced DX use cases.

- Acquire hands-on experiences as global business leaders by participating in interactive sessions.

- Build human networks with employees of other companies.

___

**Result of FY2024:**
**Attended by 55 young DX promotion leaders from across NEC**

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# Key Themes of Human Capital Management in "Strategy"

**Enhance the ability to execute the strategy by strengthening DX talent, ensuring the fluidity of human resources within the group, and realizing an optimal talent portfolio.**

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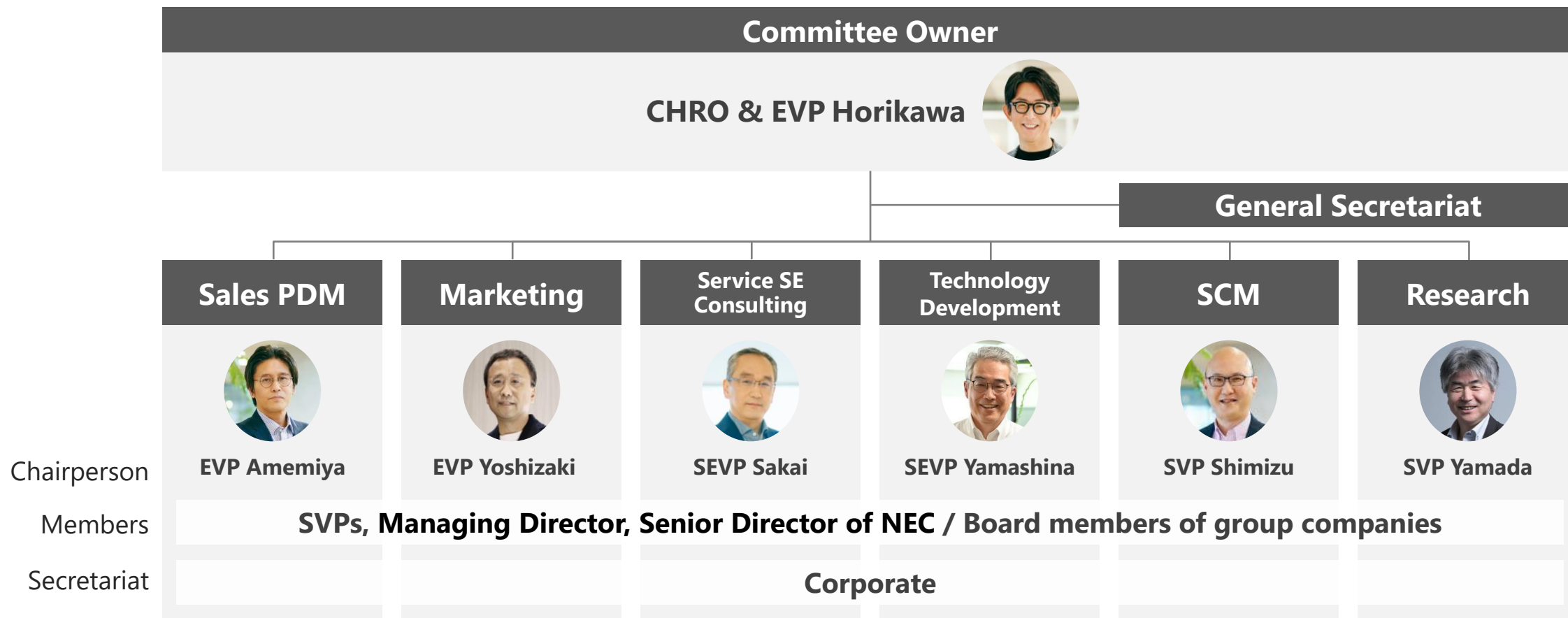Recruit DX talent as professionals who drive the transformation of the IT service business.

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Develop DX talent to maximize the value to provide to the customer, from consultation to delivery.

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Utilize and develop talent in ways that enable resources to be utilized across industries and ensure the fluidity of human resources within the group.

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# Support Employees' Career Ownership and Accelerate Position Matching

NEC Life Career, specializing in supporting employees' Career Ownership, encourage employee career development and job matching.

## Accelerate Position Matching | NEC Life Career, Ltd.

### Re-skilling Program

**Accelerate Skill Upgrades and Behavior Change**

1,500 participants (total)

* Estimate for FY2024

### NEC Growth Careers

**Autonomous Career Development through Talent Recruitment**

Number of registered resumes 15,000
Number of applicants 1,000 / year

* Estimate for FY2024

### Individual Matching

**Cross-organizational Talent Demand and Supply Adjustment**

Number of matches found 200 / year

* Estimate for FY2024

Demand creation ↑↓ Talent referral

## Mismatch

**Mismatch between talent and the position available in the NEC Group**

Changes in work due to changes in business

Increase in opportunities for employee growth

## To a New Position

**Accelerate position matching**

NEC Group

Outside the NEC Group

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# Provide Support for the Long Term From Hiring and On-boarding to Success

| **Recruit** Recruit the right DX talent for the job | **Develop** Expand DX talent and pursue specialty | **Utilize** Achieve position matching in the DX area |
|---|---|---|

| Branding | Recruiting | Talent Management (on-boarding and subsequent support for success) | |
|---|---|---|---|

**Strengthening of Mid-career Hiring**
- System dedicated to mid-career hiring
- Expansion of direct sourcing
- A wide range of activities to provide support for the long term, from hiring to subsequent support for success, to recruit and retain talent

**Job-based Hiring of New Graduates**
- Promise to assign specific departments or jobs when giving unofficial job offers
- Hiring of more new graduates through internships

**Development of Company-wide DX Training**
- Increase in DX literacy of all employees
- Training designed to pursue specialty as appropriate for the type of talent

**Acceleration Programs**
- Top Gun Tour
- DX Organizer Program

**Talent Development Committee**
- Enhancement of specialty by job type with a board member serving as the leader
- Creation of standard job descriptions and a training system

**Job-based Human Resources Management**
- Strategy-based position design
- Clear job description
- Assignment of the right talent for the job

**NEC Growth Careers**
- Promote the fluidity of internal talent and assignment of the right talent

\* Of the cross-business transfers, over 80% occurred under this system, with 30% of them transferred to the DX area.

**Reskilling**
- NEC Life Career shifts resources to growth areas and accelerates the fluidity of human resources.

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Chapter 2

**Key Themes of Human Capital Management Based on "Culture" in the Mid-term Management Plan 2025**

# Formulate Measures in an Engagement Score-driven Manner

Implement the "Situation Analysis-hypothesis Formulation-action" cycle more quickly and more frequently to increase the score.

| FY2023 | FY2024 |
|---|---|

**Perform causal analysis in reference to the Ito Report for Human Capital Management 2.0, based on the engagement score measured in the annual OneNEC survey.**
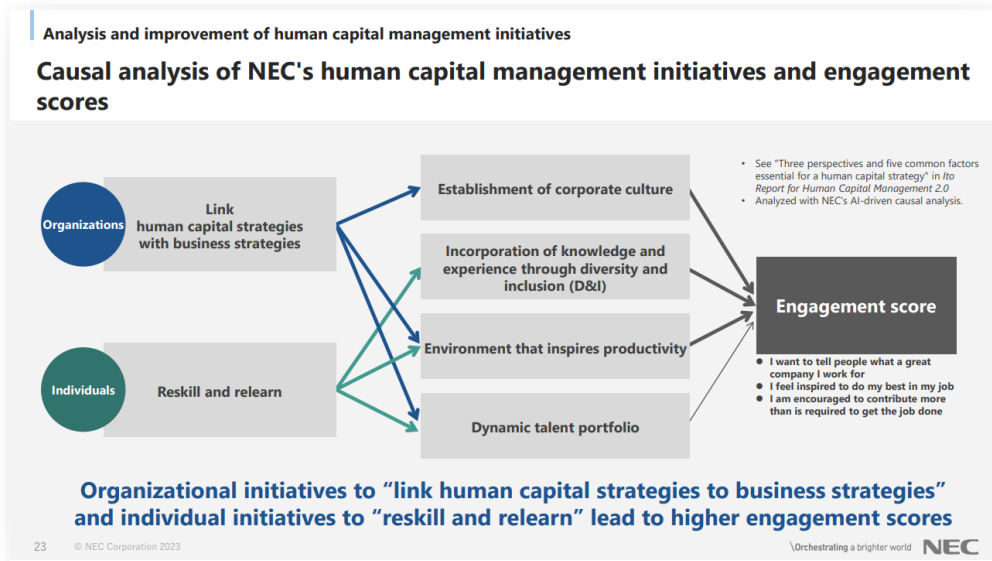


Excerpts from last year's ESG briefing materials

**Increase the score measurement frequency and update the analysis method to ensure that measures reflect employees' opinions more than ever.**

**Score Measurement Frequency**

**Measure the score from the quarterly pulse survey as well**

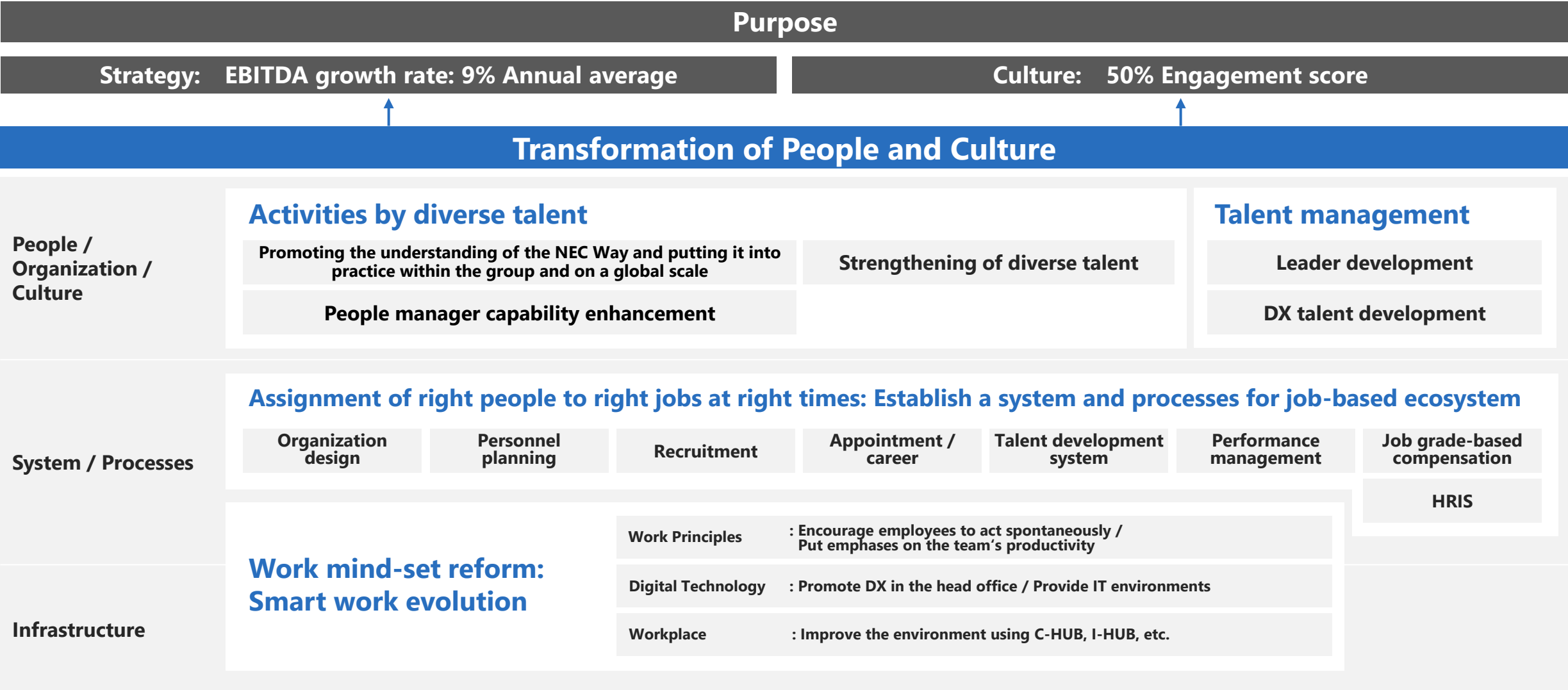Get employee feedback on initiatives in a timely manner to effectively obtain information about the effectiveness of measures and others.
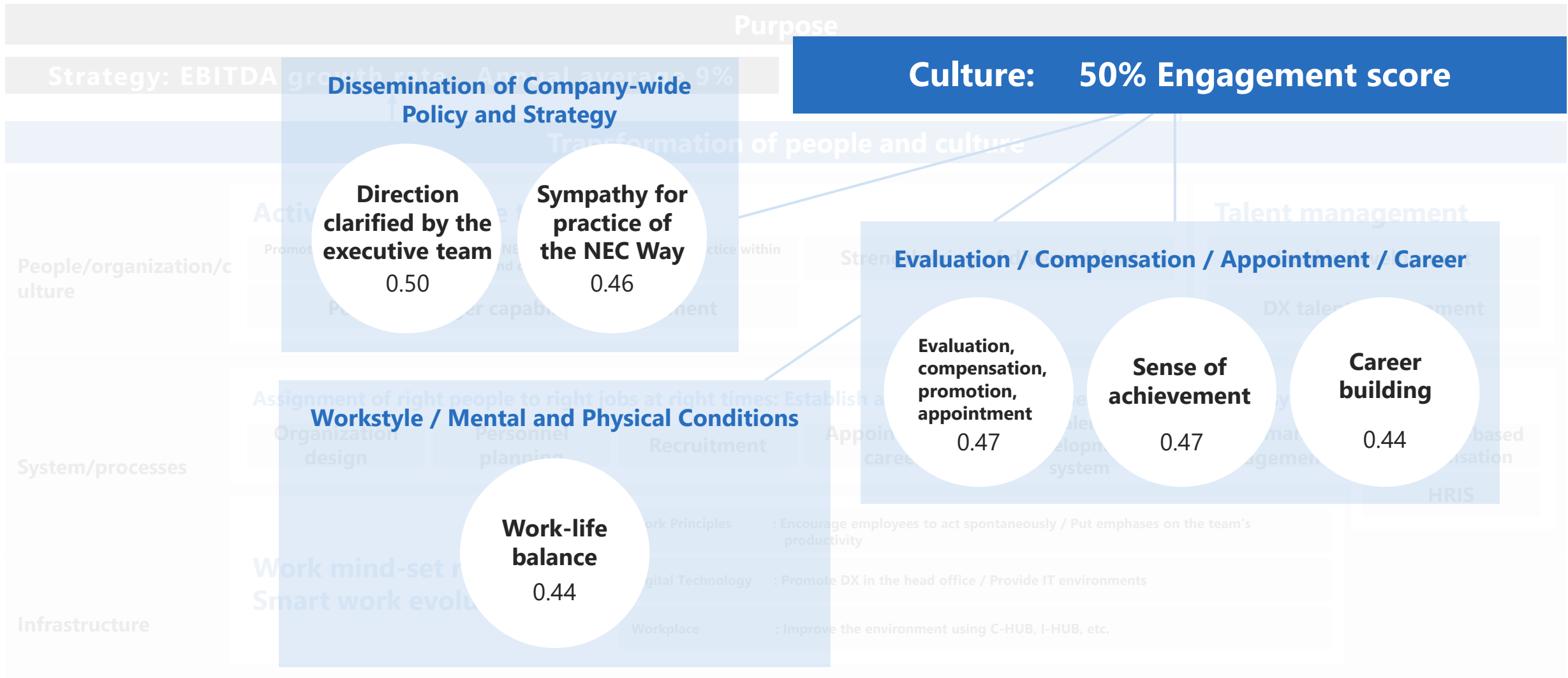
**Analysis Method**

**Analyze the correlations with the initiatives of "transformation of people and culture**

Get employee feedback on the current measures more accurately to select and focus on measures efficiently and effectively.

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# Analyze the Correlations with the Initiative of Transformation of People and Culture

## Purpose

| Strategy: EBITDA growth rate: 9% Annual average | Culture: 50% Engagement score |
| --- | --- |

## Transformation of People and Culture

### People / Organization / Culture

**Activities by diverse talent**

| Promoting the understanding of the NEC Way and putting it into practice within the group and on a global scale | Strengthening of diverse talent |
| --- | --- |
| People manager capability enhancement | |

**Talent management**

- Leader development
- DX talent development

### System / Processes

**Assignment of right people to right jobs at right times: Establish a system and processes for job-based ecosystem**

| Organization design | Personnel planning | Recruitment | Appointment / career | Talent development system | Performance management | Job grade-based compensation |
| --- | --- | --- | --- | --- | --- | --- |
| | | | | | | HRIS |

### Infrastructure

**Work mind-set reform: Smart work evolution**

| Work Principles | : Encourage employees to act spontaneously / Put emphases on the team's productivity |
| --- | --- |
| Digital Technology | : Promote DX in the head office / Provide IT environments |
| Workplace | : Improve the environment using C-HUB, I-HUB, etc. |

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# Identify the Focus Areas Through the Correlation Analysis

Purpose

Strategy: EBITDA growth rate: Annual average 9%

**Culture:    50% Engagement score**

Transformation of people and culture

**Dissemination of Company-wide Policy and Strategy**

**Direction clarified by the executive team**
0.50

**Sympathy for practice of the NEC Way**
0.46

**Evaluation / Compensation / Appointment / Career**

Evaluation, compensation, promotion, appointment
0.47

**Sense of achievement**
0.47

**Career building**
0.44

**Workstyle / Mental and Physical Conditions**

**Work-life balance**
0.44

Work Principles  : Encourage employees to act spontaneously / Put emphases on the team's productivity

Digital Technology  : Promote DX in the head office / Provide IT environments

Workplace  : Improve the environment using C-HUB, I-HUB, etc.

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# Key Themes of Human Capital Management in "Culture"

## Make initiatives more efficient and effective by implementing measures in an engagement score-driven manner.

### Dissemination of Company-wide Policy and Strategy

Provide information about policy and strategy and perform dissemination activities to ensure that employees understand and sympathize with the company's course of action and work with pride.

### Evaluation / Compensation / Appointment / Career

Put an appropriate system and processes in place to ensure that employees can have hope for the future as well as to increase their motivation.

### Workstyle / Mental and Physical Conditions

Provide an environment where employees can keep working productively in good mental and physical conditions.

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Chapter 2
**Concrete Measures**

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# Enhance Top Management Communication



## Town Hall Meeting

**Talk session between President Morita and employees**

- Japan: Since FY2022, the meeting has been held on a monthly basis, with the satisfaction level reaching 99%
- Overseas: Total number of participants: 11,500
- Group companies: Visited 4 companies in FY2024
- Regional sites: Plans to visit 5 sites in FY2024

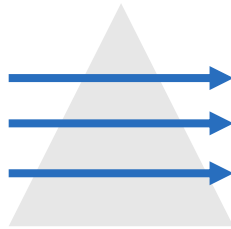## Exposure in the Media and External Events

- Increase opportunities to talk about the company-wide policy and strategy in the media and external events.
- Inform employees of the executive team's philosophy and policy strategically via external media and events.

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# Build Horizontal and Cascade Communication Platforms

Use two approaches to promote the understanding of and the ownership for the company-wide policy and strategy and accelerate the decision-making process.

| Horizontal Communication | Cascade Communication |
|---|---|
| **Enhance horizontal communication among board members, Managing Director, Senior Director of NEC to accelerate the decision-making process.** | **Have the superior and members talk directly about the company-wide policy and strategy to promote the ownership and link them with individual employees' commitments.** |

・Growth Strategy Meeting
・Session SVP / MD
・Growth Acceleration Program
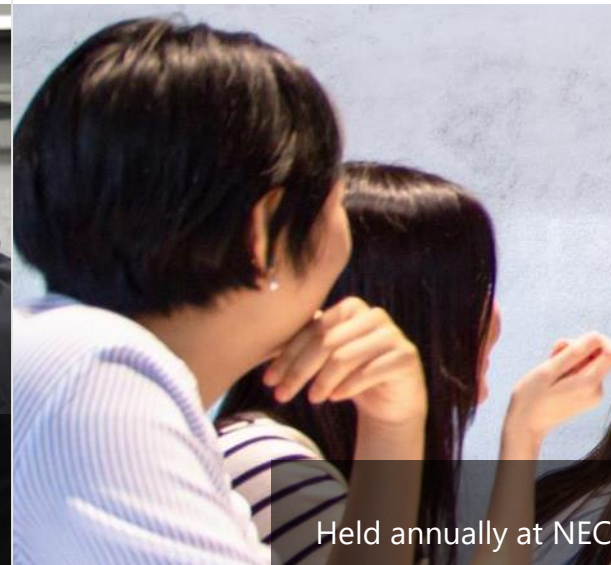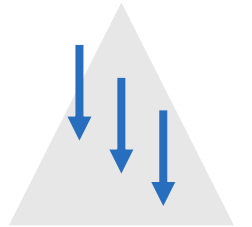
NEC Way Session
Held annually at NEC, group companies, and overseas subsidiaries.

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# Key Themes of Human Capital Management in "Culture"

## Make initiatives more efficient and effective by implementing measures in an engagement score-driven manner.

**Dissemination of Company-wide Policy and Strategy**

Provide information about policy and strategy and perform dissemination activities to ensure that employees understand and sympathize with the company's course of action and work with pride.

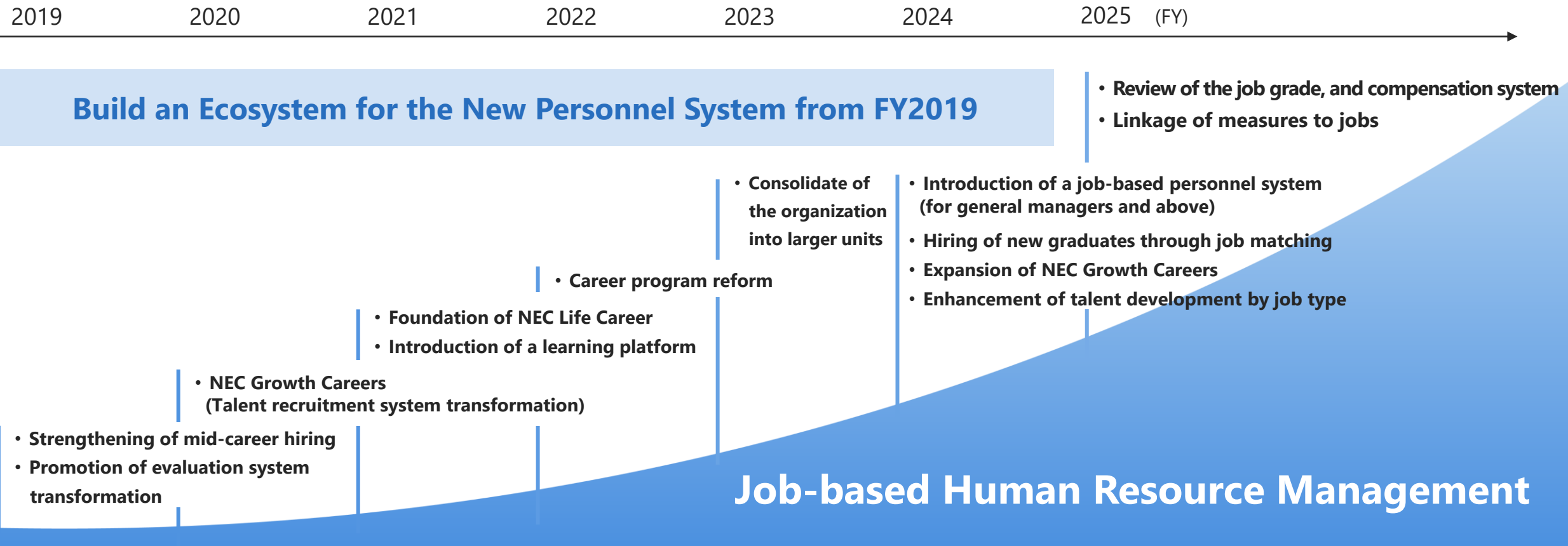**Evaluation / Compensation / Appointment / Career**

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**Workstyle / Mental and Physical Conditions**

Provide an environment where employees can keep working productively in good mental and physical conditions.

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# Support Employees' Career Ownership and Build an Environment for Continued Growth

Starting with the evaluation system transformation in 2018, systems and frameworks have been introduced step by step.
The job grade system and compensation system are changed in April 2024 to launch job-based Human Resource Management on a full scale.

2019     2020     2021     2022     2023     2024     2025     (FY)

**Build an Ecosystem for the New Personnel System from FY2019**

- **Review of the job grade, and compensation system**
- **Linkage of measures to jobs**

- **Consolidate of the organization into larger units**

- **Introduction of a job-based personnel system (for general managers and above)**
- **Hiring of new graduates through job matching**
- **Expansion of NEC Growth Careers**
- **Enhancement of talent development by job type**

- **Career program reform**

- **Foundation of NEC Life Career**
- **Introduction of a learning platform**

- **NEC Growth Careers (Talent recruitment system transformation)**

- **Strengthening of mid-career hiring**
- **Promotion of evaluation system transformation**

**Job-based Human Resource Management**

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# Transform the Mind-set and Behavior of the Organization and Individuals Through Job-based Human Resource Management

Deepen the relationship between the company and individual that select each other, by the company assigning the right person to the right jobs at the right times and autonomous career development.

## To a company that keeps winning globally

**Select each other**

**Company**

**Business Strategy**

**Organization Design**

Have diverse talent work actively to implement the strategy and grow as a company or organization.

**Hire competent talent**

**Job linked with business strategy**

Employees can earn high acclaim and bigger rewards if they produce results.

**Select the job one wants to do**

**Employee**

**Career Ownership**

**Increased Specialty**

## Job-based Human Resource Management

**Strategy-linked organization design and clarification of job description**

**Recruitment and assignment of the right talent for the job**

**Compensation system reflecting the market value and fair evaluation**

**Environment where employees can fulfill their potential and keep trying and growing**

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# Offer a Transformation Promotion Program to Prompt Employees to Change Behavior

Prompt the organization to change to one that acts spontaneously in a speedy manner, by establishing the "patterns" of decision making and problem solving and having both the executive team and frontline personnel demonstrate leadership.

RISE Fast

## Give all employees problem-solving skills and leadership roles in transformation.

- Business problem-solving program aimed to build a flat culture where everyone can act spontaneously.

- Cumulative since the start of the initiative in FY2023 Number of participants: 2,266 / Number of themes: 475

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# Make Employees Proud of Working for the NEC Group

| NEC Award | Underground passage wall display at the subway station near the head office |
|---|---|



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Provide an environment where employees can keep working productively in good mental and physical conditions.

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# Workstyle for the Well-being and Growth of Employees

Encourage employees to act spontaneously and build an environment that allows them to work in their own styles and helps the team improve its productivity.

| Initiatives for Individuals | Initiatives to Increase the Organization's Performance |
|---|---|

**Build an environment that supports employees in spontaneous self-actualization efforts.**

**Build an environment that brings the best out of the team and increases its execution ability.**

## Well-being and Growth of Employees

**Health Management**
- AI-powered healthcare support
- Health checkup result simulation

**Fones Visuas**

**Work Principles**
- Encouraging employees to act spontaneously / Rules for increasing the team's productivity / Provision of options

**Career and Self-actualization Support**
- Cafeteria plan enhancement

**Workplace**
- Expansion of the collaboration space

**Financial Well-being**
- Asset building service for employees
- Enhancement of DC pension plans

社員のための資産形成サービス
**Shines**

**Practical use of Digital Technology**
- Promotion of DX in the head office / Provision of IT environments

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# Make Full Use of AI and Turn the Experience into the Value for Customers

## Employee feedback analysis
Promotion of Client Zero using AI

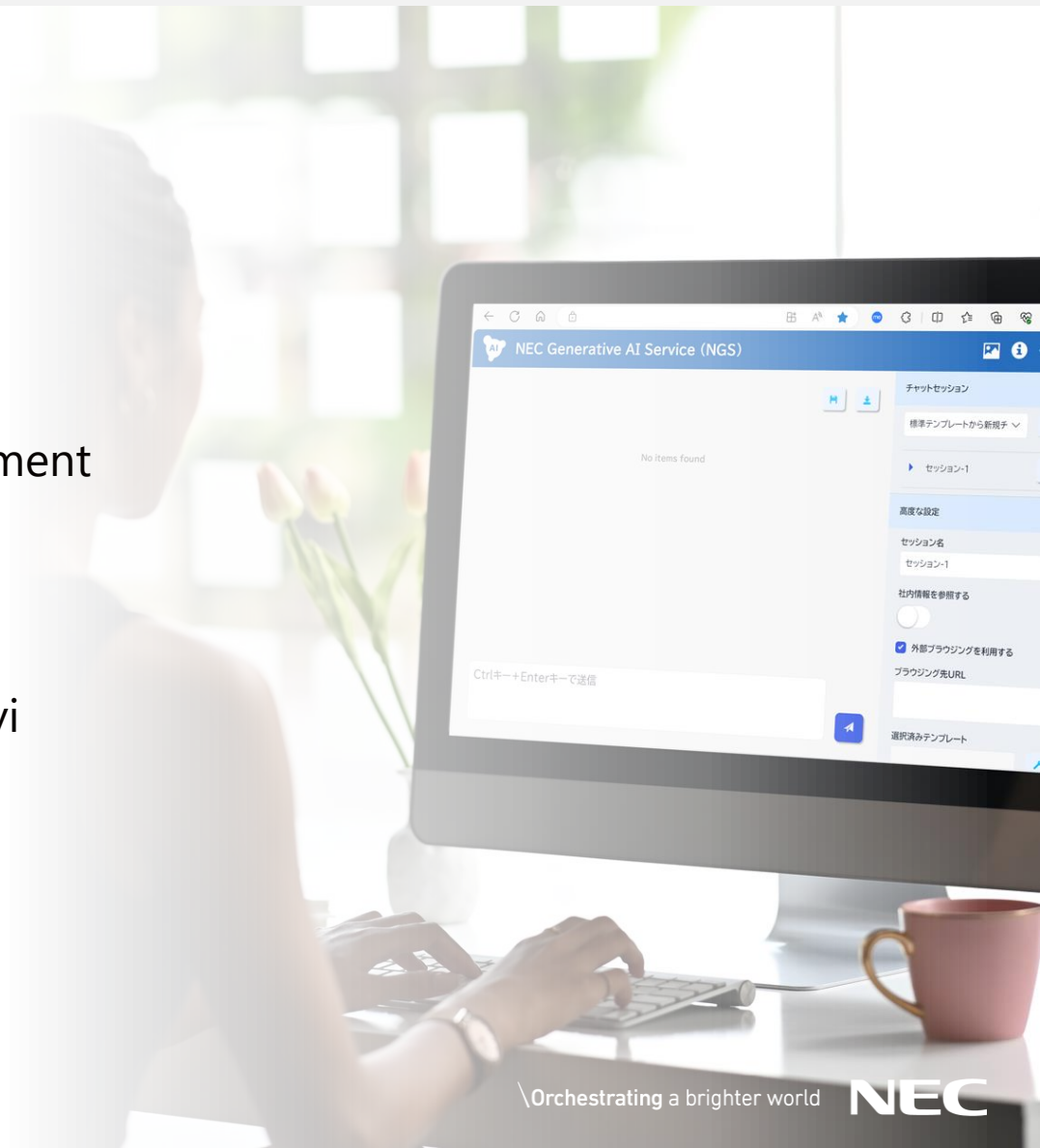## Talent-job matching / Career building
AI recommendation function introduced to the talent recruitment system "NEC Growth Careers"

## Target setting by employees
Career planning through conversation with AI using Goal Navi

## Suggestion on the lunch menu  cotomi
AI-suggested special lunch

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# Achieving the KGI

Engagement Score of 50% in FY2026

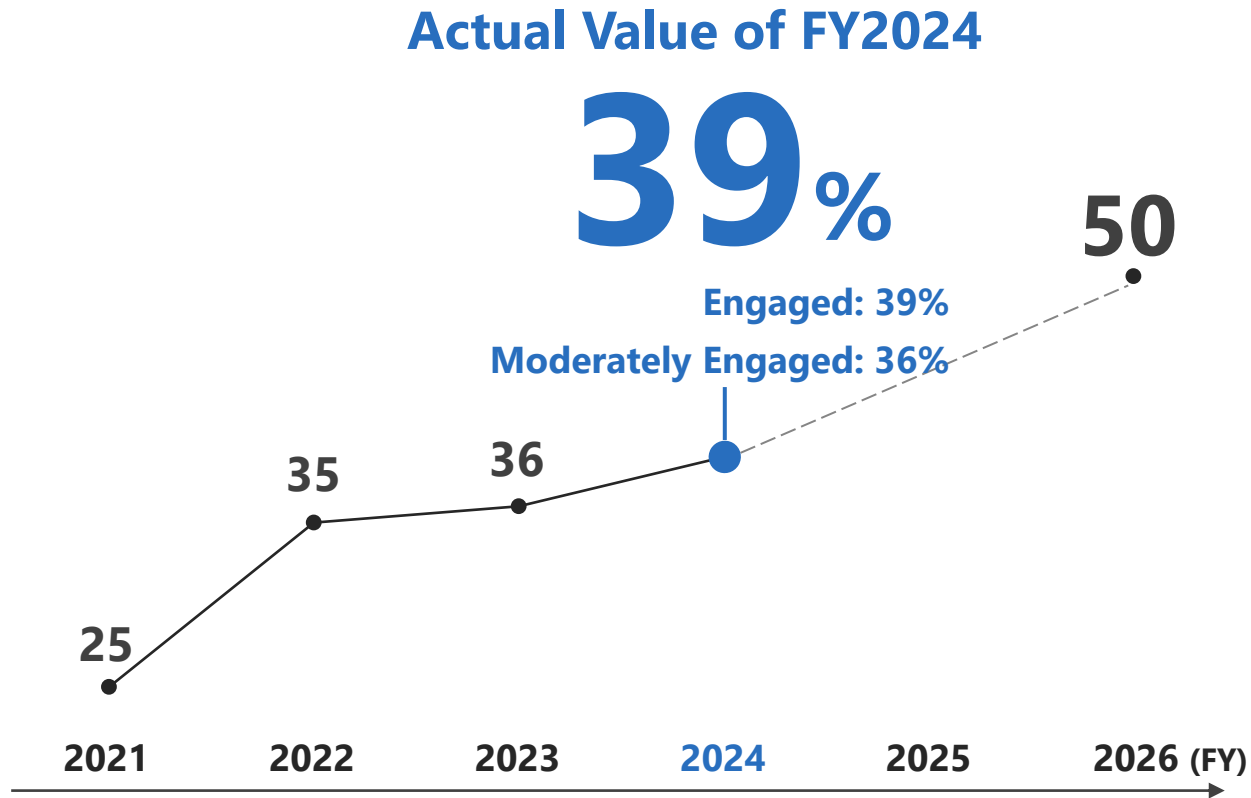# Continuing to rise toward achieving 50% KGI in FY2026

The engagement score of the entire NEC Group increased by 3 points from a year earlier.
The score has been increasing continuously, emerging from a lull.

**Actual Value of FY2024**

**39**%

50

**Engaged: 39%**

**Moderately Engaged: 36%**

35

36

25

2021   2022   2023   **2024**   2025   2026 (FY)

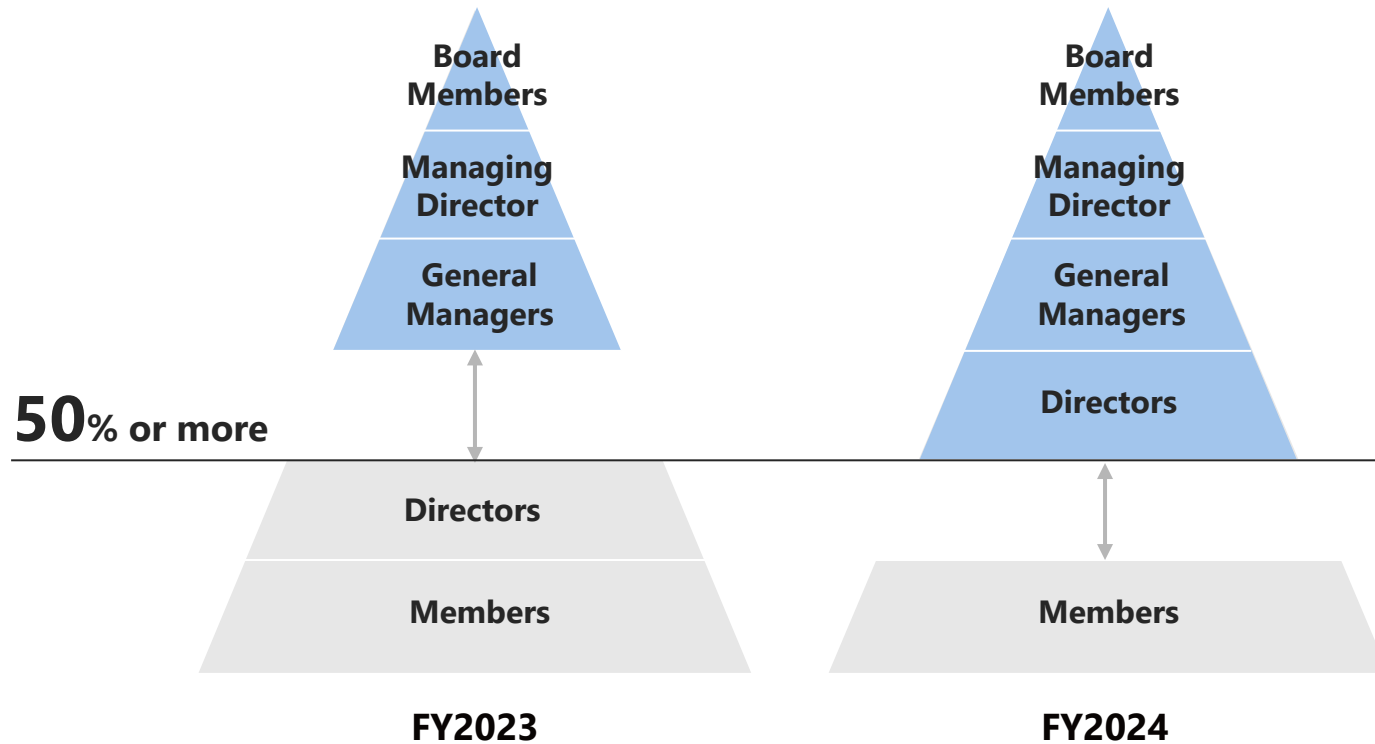     \Orchestrating a brighter world   **NEC**

# Main Measures for FY2024 and Score Summary

It has been confirmed that the measures based on the key themes have been effective in increasing the engagement score.

| **Dissemination of Company-wide Policy and Strategy** | **Evaluation / Compensation / Appointment / Career** | **Workstyle / Mental and Physical Conditions** |
|---|---|---|
| Provide information about policy and strategy and perform dissemination activities to ensure that employees understand and sympathize with the company's course of action and work with pride. | Put an appropriate system and processes in place to ensure that employees can have hope for the future as well as to increase their motivation. | Provide an environment where employees can keep working productively in good mental and physical conditions. |

| Survey category | Executive team | Talent utilization and assignment | Career / Self-development | Teamwork | Empowerment / Autonomy | Decision making |
|---|---|---|---|---|---|---|
| Score (compared to previous year) | **+3**pt  34%  * Score of NEC alone | **+6**pt  22% | **+3**pt  31% | **+4**pt  46%  * Score of NEC alone | **+6**pt  51%  * Score of NEC alone | **+8**pt  26% |

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# Communication from the Executive Team to Members Is the Key to Increasing the Score

The score gap between the executive team and directors, which was last fiscal year's problem, is being resolved as the scores of the directors go up significantly. To achieve the KGI, NEC aims to increase the scores through communication from directors to members.



**50**% or more

FY2023 pyramid (top to bottom):
- Board Members
- Managing Director
- General Managers
- Directors
- Members

**FY2023**

FY2024 pyramid (top to bottom):
- Board Members
- Managing Director
- General Managers
- Directors
- Members

**FY2024**

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# Initiatives to Utilize the Power of Members for Management

Create opportunities to take on challenges for younger employees in particular in order to boost their motivation.

Also, enhance training for top talent, such as by training a selected group of employees, to ensure employee retention.

**Summary**

# Identify and Execute Measures to Implement Strategic and Cultural Key Themes

## Purpose

| Strategy: EBITDA growth rate: 9% Annual average | Culture: 50% Engagement score |

### Key themes

**Strengthen DX talent and ensure the fluidity of human resources within the group**

#### Recruit

Recruit DX talent as professionals who drive the transformation of the IT service business.

#### Develop

Develop DX talent to maximize the value to provide to the customer, from consultation to delivery.

#### Utilize

Utilize and develop talent in ways that enable resources to be utilized across industries and ensure the fluidity of human resources within the group.

Link management strategy with talent strategy
Reskilling / relearning →

← Keep talent satisfied
Prevent the loss of talent

### Key themes

**Execute measures based on the correlation with the engagement score**

#### Dissemination of Company-wide Policy and Strategy

Provide information about policy and strategy and perform dissemination activities to ensure that employees understand and sympathize with the company's course of action and work with pride.

#### Evaluation / Compensation / Appointment / Career

Put an appropriate system and processes in place to ensure that employees can have hope for the future as well as to increase their motivation.

#### Workstyle / Mental and Physical Conditions

Provide an environment where employees can keep working productively in good mental and physical conditions.

## Transformation of People and Culture

**Acceleration of diversity, a source of innovation / Workstyle reform to support the workstyles of diverse talent**

| Use of diverse talent | Talent management | Assignment of The Right Person at the Right Job and the Right Time | Workstyle / Mind-set reform |

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